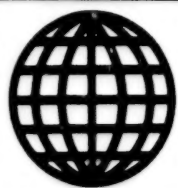


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14 MARCH 1988

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**FOREIGN
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JPRS Report

China

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China

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WEST EUROPE

France, West Germany Seen Moving Toward Defense Cooperation

40050108 Beijing RENMIN RIBAO in Chinese
23 Jan 88 p 6

[Article by Zheng Yuanyuan [6774 0954 0954]: "New Atmosphere in West Europe Conducive To Defense Cooperation"]

[Text] Twenty-five years ago, France and West Germany achieved a historic rapprochement when President de Gaulle and Chancellor Adenauer signed the "Elysee Treaty" that sent the two nations moving toward all-around cooperation. At the time he signed the treaty, de Gaulle was full of hope about setting up a "common defense space."

In the next 20 odd years, France and West Germany have made much headway in political and economic cooperation. However, the idea of building a "common defense space" has not been turned into reality. Barely a few years after signing the treaty, France withdrew from the NATO command and set about creating its independent national nuclear deterrent forces, thus isolating itself in its own "nuclear fortress." West Germany, in contrast, sought protection in NATO and under the U.S. nuclear umbrella. It seemed that the atmosphere for French-West German defense cooperation just was not there.

Today the situation has changed drastically. The two countries made more progress in defense cooperation in the past year than in the last two decades. There are proposals on establishing joint [military] forces. They have signed an agreement to develop a VTOL plane together and held the biggest joint military exercises ever. In a few days, the leaders of the two nations will put their signatures on a document creating the French-German Defense Council. "If West Germany becomes the victim of aggression, the engagement of France

would be immediate and without reserve," Prime Minister Jacques Chirac declared recently. This suggests that France is moving its "nuclear barrier" eastward toward the Elbe and stepping out from its "fortress."

The outline of the "common defense space" envisioned 25 years ago is emerging. An inevitable outcome of the process of West European integration, it also reflects the unavoidable move in the world toward multi-polarization. The seed of West European defense cooperation was sown with the political and economic integration movement in the continent, but it needed a catalyst in the form of the U.S.-Soviet disarmament talks and the Intermediate Nuclear Forces [INF] Treaty. As West Europe became a stronger economic and political power in the wake of deepening integration, it also became a more effective player in a multipolar world. Meanwhile, there is an increasing desire among West European nations to step up defense cooperation to ensure their own security. At long last, a number of specific proposals have emerged, setting in motion the wheel of "joint defense." A Europe that has an integrated market, a common currency, a joint defense system, and a single voice that can be heard in many areas will definitely be better able to control its own destiny. In West Europe, the climate for achieving defense cooperation is gradually taking shape.

It is still too early to tell whether West European defense cooperation, the core of which is France and West Germany, will bring about the kind of "joint defense space" envisioned by de Gaulle. But that is the trend of our times. Several decades ago, when the idea of an integrated Europe was first mooted, was not the prospect fraught with difficulties too? Who would have thought that it would ever develop to the extent it has today? Twenty-five years after the historic French-German rapprochement, while the two countries are being lauded for furthering cooperation in the Elysee spirit, Europe's future becomes an even more lively scene. Their cooperation will certainly have a profound impact on the situation in West Europe and even the world.

12581

Bold Innovations Encouraged

40050083a Beijing GONGREN RIBAO 25 Dec 87 p 3

[Article by Xu Jingchun [1776 2529 2504]: "Why Not 'Overstep the Mark'?"]

[Text] If we take a good look at today's China, we can find very few people who oppose reform and resist progress. However, as soon as any specific reform policy or measure (involving any change in lifestyle or innovation in academic theories) is mentioned, many people would hesitate and have this worry: Wouldn't this be "overstepping the mark"? Worrying about "overstepping the mark" is the main indication of ossified thinking today, as well as an major source of ossified thinking among some comrades. Many of our comrades are thoroughly familiar with the important ancient precept "Don't make any move that may be a breach of propriety." They remain disinterested and detached from this fast-changing age, and can only follow the majority. Like scared rabbits, they tried every way to avoid "sensitive issues" or real issues. They can only go on in the same old way, always harboring the fear that they could be accused of deviating from the classical precepts and rebelling against orthodoxy. Worse still, they sanctify their "ancestors' laws," and regard what the "bookish people" have said as unwritten codes which they must use to tailor their lifestyle. If you want to carry out any reform, aren't you violating the conventions? If you want to start something new in order to be different, aren't you becoming a nonconformist? Sorry, you must not "overstep the mark"! Thus people attempting any reform or innovation are halted before this warning sign: "Don't Overstep the Mark." People can only go on in the same old way, remain conservative, and observe obsolete rules and regulations. Even though they have met with setbacks, they still dare not take a single step out of bounds, lest they may come to even greater grief. Thus they can only stick to the old rules throughout their lifetime. Just in case anyone goes his own way and is unwilling to remain submissive, people will raise outcries or spread gossips.

Nevertheless, there can be no innovation if nobody dares to "overstep the mark." If there be no innovative ideas and actions, there can be no history or future of mankind. Reform is an innovative undertaking. Without innovation, there can be no successful reform. We are in the initial stage of socialism, and do not know much about the conditions, contradictions, evolutions and laws of this stage, and many of our principles, policies, and theories still need improvement. They must be constantly tested, enriched, revised, and improved through practice. If we let ourselves be bound hand and foot by treating isolated theses from books as dogmas, and regard things that have proved effective in practice as flawless models, then can our reform be still called a great pioneering undertaking? Pioneering and innovations mean, in a certain sense, "overstepping the mark," because without "overstepping the mark," there can be no innovation to speak of. History has repeatedly proved

that for individual cultivation and world development, we need people who are impervious to conventions, not people who simply go along with the current of events and resign themselves to their fate. Those who accelerate social progress are people with an innovative spirit and the courage to break down conventions and to transform the environments. Progress as a rule conflicts with outdated traditions. The new ideas which led to social changes were invariably resisted and condemned as heresy by people at first. They can be likened to the first monkey trying to stand up and being killed by other monkeys. Were it not for the first monkey trying to stand up, there can be no mankind. It was in the process of "overstepping the mark" that history continued its advance. The socialist cause itself is a by-product of "overstepping the mark."

"Marks" are man-made. There were originally no paths on earth. They were made by the footsteps of many people. If we slavishly stick to the beaten paths all the time we would become well-behaved spiritual slaves, wouldn't this be the same as an old person dying of urine retention? People are afraid of "overstepping the mark," because they find it very hard to violate an out-dated rule, or to disregard an absurd tradition. Such action, they fear, can very easily bring trouble, and if you are not lucky, "you will get the unpleasant smell of mutton all over your body before you can taste it." Therefore, people rather observe the old conventions and thereby preserve their status quo for ever. They faithfully follow the tradition of "refraining from winning merits, as long as you can avoid mistakes." The "whatever" remarks are now seldom heard; however, centipedes are not easily killed. If anyone has good and outstanding ideas, it is likely that he will have an undeserved ill turn. Even making "slight alterations," not to speak of "overstepping the mark" or going to the extremes, may constitute a monstrous blunder which neither heaven nor earth could condone. In such an atmosphere, who could have the courage for innovation? Even clearly knowing that certain "classics" are obsolete, some people still have to "remain faithful to the author's memory" out of a "sense of unwavering loyalty." When they review the situation and find that they are already at the end of the road, they still cannot harbor any "heretic belief."

Actually, why is "overstepping the mark" to be afraid of? We are not devout religious disciples and not bound by the religious tenets, or the various rules and regulations. Nothing can be absolute in this world. We are not always bound by some rule in doing or saying anything. No rules or regulations can be applicable to all situations with the best results. We should emancipate our minds, and "overstep" some "mark," even though others may think that we are deviating from the classical precepts and rebelling against orthodoxy. We may be slighted, ostracized, or subjected to converging attacks verbally or in prints. However, if we want to innovate, we must pay the price. Reform has never been smooth sailing. People first sneered and then approved it, only because they judge by results. In my opinion, blind obedience is even more

harmful than "overstepping the mark." In this changing world, some dogmas have become obsolete, and we should "overstep" them! The age of reform should be the age of fearlessness. We do not have to be afraid of the conflict between the current theories and our own. If we do not blaze new trails, we cannot achieve any new success. Please remember that we cannot be saved by anything that is obsolete. "Zen sect mentions three different characteristics of its Yunmen Branch, and the first is that it keeps pace with the current, meaning its adaption to the changing situation instead of following old rules." We "should not forget the realistic for the idealistic or Shakespeare for Schiller." (Engels) To change the society, we must change today's environments. We must extricate ourselves from yesterday's quagmire of "should" and "must" and boldly start something new and different regardless of whatever other people may say. It may probably be called "reckless action," but why should we be afraid. If we only follow others' footsteps, then the smoother our progress,

the harder will it be for us to find treasure. We must have the courage to blaze new trails in order to discover the seemingly inaccessible new world.

There is now no need for us to exhume the corpse in order to debate with a dead person. We should speak to living persons and to those who understand and respect truth in order to form a mighty army of intelligent and dedicated people, and to substitute the new for the old everywhere. "You have overstepped the mark!" Right you are. For the vigorous development of productive forces and for building socialism with Chinese characteristics, we have to "overstep" some "marks"! "Overstepping the mark" is by no means a frivolous act. It is in line with our principle to develop all productive forces! That is why we have to burn incense and pray for the success of "overstepping the mark." Other than that, we have no extravagant desires.

09411

NATIONAL AFFAIRS, POLICY

Support of Profit Motives by Enterprise Law Seen Essential

40060131 Beijing JINGJI RIBAO in Chinese,
14 Jan 88 p 1

[Article by He Jiacheng [0149 1367 2052], Institute of Economic Research, Chinese Academy of Social Sciences: "Profitability Should Be A Criterion For Formulating Enterprise Law"]

[Text] When we enact laws to govern enterprises, we must take into full consideration the fact that China is still in the early stage of socialism, and in this long historical period, the primary task of economic reforms and economic construction is to develop a commodity economy. From this standpoint, I feel that the existing draft of laws governing enterprises fails to define clearly the basic functions of enterprises.

We must realize that in a commodity economy, as a rule, profit and self-interest are inseparable. Profit maximization is the direct goal, and the responsibility, of the producer (enterprise.) We can make the producers satisfy the material needs of the consumers (the people) and society only indirectly, through market pressure. We have to understand that in the economic process seeking profit and satisfying the people's needs are two different things: the former is the objective and the responsibility of enterprises, and the latter is the objective and responsibility of society. Therefore, whether we are looking at lessons learned from past experiences or at development of events since the implementation of reforms, we will discover that if we burden enterprises with the goals and responsibilities of society, it is unlikely that, under the pressure of double duties and goals, enterprises can make an effective choice. Eventually they will shift the burden of mismanagement and losses back to government and society.

If in the past, because of our theories and the old system, we could not require enterprises to maximize profit, the 13th Party Congress has advanced a new economic mechanism based on the principle of developing a socialist commodity economy which lets "the state regulate the market, and the market guide enterprises." This solves the dilemma of enterprises which are burdened with two objectives. Therefore, acknowledging the profit-seeking nature of enterprises, and stipulating that "enterprises are profit-oriented legal entities" should be one of the criteria for formulating enterprises laws. This provision perhaps defines the basic functions of enterprises more precisely and clearly than the existing draft regulations, and makes a clear distinction between the old and the new systems.

Furthermore, under a commodity economy, and from the point of the development of society as a whole, we can be certain that the new social economic mechanism not only can separate the objective and responsibility of

society from that of enterprises, it can also smooth their relationship, and foster unity. Sometimes, however, conflicts are inevitable. This is because, first, the standard of our productive force is poor and uneven, and the accumulation of wealth by society is slow and meager, and the state does not have the economic prowess and mature management skills to resolve the conflict of interests among the different elements. Secondly, as independent managers and producers of commodities, enterprises have their own interests to look after, and their interests inevitably clash with society's interests. In order to ensure that the country's long-term goals can be realized, and keep society's interests in balance, the state must take measures to intervene directly. For these reasons, when we revise the draft on enterprise laws, we suggest considering a clause to classify all enterprises which are owned by the people as competitive or non-competitive enterprises, and regulate their respective behavior based on this distinction. In this way, we can strengthen the invisible hand of the market, and make better assessments of the economic performance of enterprises, and at the same time, we can make the relationship between the state and enterprises more subtle, so that the state can take better care of the long-term interests of society, as well as the interests of enterprises.

12986

GUANGMING RIBAO on Public Assets Titles

HK091205 Beijing GUANGMING RIBAO in Chinese
23 Jan 88 p 3

[Article by Zhang Zhenbin (1728 2182 2430): "Redefining State Economy Title Relationships"]

[Text] In recent years China has conducted enterprise structural reform in accordance with the idea of separating ownership and the right of management. Practice has proved that merely "separating ownership from the right of management" cannot solve the problem of the microeconomic foundation required in developing socialist commodity economy.

To conduct a thorough reform of the operational mechanism of public assets we must get out of the narrow scope of microeconomy and re-define public economy title relationships in the general frame of the national economy.

To continuously create new operational entities of socialist public assets, the essential thing is to solve the problem of clearly defining public assets titles while making them independent and systematic, and to seek a clear and independent legal expression of public assets titles. This new idea has implications on two levels.

The first is to separate the ultimate title of public assets from the right of management, to create an entity which mainly manages the title of public assets, and to turn it into a direct representative of the title of public assets

maintaining the position of a legal entity. It is therefore necessary to clearly transfer the title and the right of management of public assets, which are currently held by the state, to assets operating organs at central and local levels and to departments. These organs can be trust and investment companies, assets companies, or assets banks. Their functions are: 1) To discharge obligations of the ultimate owners of public assets and to pay the income from operating the title in proportion in addition to the tax paid by them as independent legal entities according to the law. 2) To perform practical and legally effective functions of assets owners and to select direct management entity of public assets according to a certain standards. 3) To engage in the sale and purchase of public assets titles so as to ensure the flexibility of practical patterns in public assets. 4) To exercise power over direct operators of public assets and to collect all income from operating the assets. 5) To decide on the method of expanding assets accumulation in the distribution of incomes from operating public assets.

The second implication is to separate the right to manage public assets titles from the right to manage the practical assets entity, and to create enterprise organizations which engage in practical commodity production and operation. Assets operating organs are thus required to seek specific operators. These operators can be individuals or collectives, and they establish a contract relationship with the assets operating organs similar to the relationship between an employer and an employee. Their functions are: 1) To use, budget, and handle (including leasing out or auctioning off) public assets of concrete forms in a practical way and to carry out reproduction activities in public assets. 2) To arrange the distribution of practical production elements (such as labor forces and raw materials) and the distribution of income from production and business operation. 3) As the representative of an enterprise's legal entity, operators must be responsible for all social affairs in the whole course of an enterprise's production and business operation. 4) Operators can put forward suggestions to assets operating organs on accumulating and using assets and be responsible for implementing the suggestions after their approval.

The most striking characteristic of this reform idea is to clearly define public assets titles and to make them independent, so that assets operating organs can become practical subjects for bearing titles. This can also cause enterprises to have more substantial decisionmaking power in their production and business operations and can, on the premise of paying income from assets to assets operating organs, directly operate and handle their internal specific assets (including equipment, factory buildings, and raw materials) in such ways as buying, selling, leasing, or mortgaging. Although assets operating organs cannot directly dispose of these concrete assets, they can handle the title of these assets.

The selection of an assets operating entity is closely linked to the opening up of a title market. Without a flexible and orderly title market it will be very difficult

for assets operating entities to blaze new trails. It will also be very difficult to solve the problem of the motive force for and restriction on their operations, and in particular to readjust commercialization of the existing assets. Under the condition that assets operating organs exist independently and compete with each other, the continuous appreciation of assets value will become an internal motive force for assets operating organs. As special commodity producers assets operating organs themselves face a threat of bankruptcy. This threat mainly comes from title exchange markets. Furthermore, title exchange markets are an important mechanism with which assets operating organs restrict operators of assets entities. This means that if the assets entities are not operated well, the assets operating organs can sell the assets and the direct operators of the sold assets will usually be reorganized or even dismissed by the new buyers. Meanwhile, from the viewpoint of resources distribution, exchanging titles is actually a readjustment of existing resources. It is precisely in the process of readjusting existing resources that the general composition of social and economic resources improves itself.

The basic idea of thoroughly changing the operating mechanism of public assets is of great importance to promoting reform because it can: Gradually change the situation by which the management of public assets is divided between "the central departments and local governments;" restrict the interests of assets, operators, and labor; and can transfer the operating right of public assets titles to assets operating organs. This can promote government at all levels to gradually change their mode of conduct, truly separate the functions of government from those of enterprises, and can further deepen our theoretical understanding of planned commodity economy.

Computation of Consumer Price Indices Described
40060125 Beijing JINGJI CANKAO [ECONOMIC
INFORMATION] in Chinese 13 Jan 88 p 4

[Article by Huang Qingming [7806 1987 2494], Urban Survey Team, State Statistical Bureau: "The Computation of China's Consumer Price Indices"]

[Text] In 1984, the State statistical system carried out a major reform of China's consumer price indices, compiling through sample surveys resident, employee and peasant cost of living indices, aggregate social and state commercial retail price indices, open market price indices and the like. Sample surveys are an important scientific technique, select, through a random process, a sample of a total statistical population (i.e., all of the units comprising the subject under study) and use the results obtained through analysis of the sample directly to infer the quantitative characteristics of the total population.

I. Determination of the Commodity Sample

China has a wide variety of consumer products and product designs, grades and brand names. Thus in computing China's consumer price indices, we had select and analyze a sample of representative standard goods. To select the sample, we first classified products into such material categories as foodstuffs, apparel, daily necessities, stationery and recreational goods, books and periodicals, pharmaceuticals and medical supplies, and fuels and into such nonmaterial categories as rent, water and electricity, transportation, post and telecommunications, health care, education and child care, culture and entertainment, and repairs. Within these general categories, we established subcategories and sub-subcategories, into which we further classified products. Then, in consultation and joint study with commercial, price, foreign trade and other departments, we selected as our sample 300-odd standard products that have high retail sales volume and value, that are closely related to the people's livelihood and to social production and that are representative of the trends and magnitude of price changes. These goods are estimated to account for more than 80 percent of total social retail sales volume and of residents' consumption. And grain, cooking oil, pork, aquatic products, sugar, tobacco, alcohol, tea, salt and the like, which are included in the sample, comprise nearly one-half of aggregate consumption and thus are very representative.

II. Determination of the Regional Sample

To ensure the representativeness, in 1984 we randomly selected 106 cities and 77 counties from provinces, autonomous regions and municipalities across the nation as our key survey regions. These regions included coastal areas, interior areas inhabited by minority nationalities, densely populated specially large cities (with nonagricultural populations of more than 1 million) and large cities (having nonagricultural populations of more than 500,000), medium-sized cities (having nonagricultural populations of more than 200,000), small cities (having nonagricultural populations of less than 200,000) and county seats. And within these key survey regions, we selected 6,000-odd state-run general stores and agricultural markets as our regional price survey sites.

III. Establishment of the Weighted Sample

From the 183 key survey cities and counties, we selected 17,000-odd urban employee households from which to gather data on urban residents' consumption expenditures, which data we then used as the weighted sample from which to compile the national employee cost of living and the national urban retail price indices. The weighted sample employed to compile the national peasant cost of living and the rural retail price indices, on the other hand, was derived primarily from data on consumption outlays gathered from 66,000-odd rural peasant households in 846 key survey counties. In sum, our

weighted sample included both urban employee and rural peasant households and both middle-income and high- and low-income families throughout the nation and thus is quite scientific.

IV. The Survey Method Selected

We employed direct survey, which, for price data, involved on-site market investigation at regular intervals and, for the data used to compile the weighted sample, examination of expense books kept by respondents. In the latter work, each respondent was required to maintain a bench sheet carefully recording the amounts and breakdowns of each day's consumption expenditures. Each key survey region sent local investigators at regular intervals to examine respondents' records, which the investigators, upon discovery of any problems or errors, were required to have corrected promptly so as to ensure accuracy of the data contained in the records. In the former work, each key survey region was required to send price investigators to each survey site at regular intervals to gather direct data on the actual sales prices and volumes of each representative standard product, and price liaison officers were assigned to each site to assist in this work so as to ensure data accuracy.

Experience over the past several years has demonstrated that our sample price and weighted data are quite accurate, that our consumer price indices are very representative and that sampling is much more economical in terms of human, financial and material resource expenditure than are surveys of total statistical populations. To improve the representativeness of China's consumer price indices, the state statistical system plans to incorporate 55 additional products in its surveys and to increase the number of key survey cities and counties to 224. And to improve the representativeness of the weighted sample, we must rotate investigation of households included in the urban family livelihood sample and expand the number of households investigated.

12431

Incorporation Articles of Jialing Group

HK050630 Beijing JINGJI GUANLI in Chinese
No 1, 1988 pp 15-19, 41

[Text of Articles of Incorporation of the China Jialing Industrial Joint-Stock Company Limited (group)]

[Text] [Editor's note: The China Jialing Industrial Joint-stock Company Limited (Group) began its preparations for association in July 1986 and in September 1987 was formally sanctioned by the State Council to enforce the shareholding system. It is the first industrial group sanctioned by the state to carry out the shareholding system. Herein we print the whole text of this company's (group's) Articles of Incorporation with the hope that it will be of benefit to the pilot work in expanding the stock and share system.]

Articles of Incorporation of the China Jialing

Joint-stock Industrial Company Limited (Group)

Chapter I. General

Article 1—The China Jialing Industrial Joint-stock Company (Group) Ltd. (briefly termed below as the company) is an independent commodity producer and handler legally and voluntarily organized by six enterprises, namely, the state-run Jialing Machine Plant, the Chongqing Building Machine Plant, the state-run Huawei Electronics Equipment Plant, the Chongqing Cinema Machines Plant, the Chongqing Steel Springs Plant and the Chongqing Motorcycle Accessories Principal Plant, based on the objective demands of the socialist commodity economy and development of the socialist commodity economy and on the spirit of separating government from enterprise functions and separation of the ownership right and management right. It has the objectives of displaying the strong points of a group, developing a large variety of products, satisfying social needs, increasing accumulations for the four modernizations and invigorating the enterprises.

Article 2—The Company is a share-holding enterprise of a socialist nature. It is a new type of enterprise organization created and formed in accordance with the special features of the socialist public ownership system and for the purpose of meeting the demands of the socialist commodity economy.

Article 3—The Company is an economic entity of the military-civilian combination type, autonomously operated, doing independent accounting and solely responsible for its own profits and losses.

Article 4—The Company's guiding thought is: firmly insisting on the party's four cardinal principles and the principle of socialist economy taking the public ownership system as the basis and under the precondition of publicly owned shares occupying the leading position, to absorb share contributions from the staff members and workers; firmly insisting on the socialist principle of the direct union between the workers and the means of production, to make the staff members and workers become the principal body of the enterprise and possess definite ownership right and power of allocation of the means of production; firmly insisting on the principle of building the company into a "conglomerate of producers who are free and equally treated," to instill in the minds of the staff members and workers the ideas of being masters of the house and a knowledge of collectivism and to thoroughly eradicate any concept of being hirelings; and firmly insisting on the principle of all-round material interests, and, with regard to the system of income distribution of the staff, on the principle of taking distribution according to work as the principal factor with other distribution in support, to encourage the staff

members and workers to be concerned not only with their own individual labor results but also with the losses or profits in assets and contributions to the state and society.

Article 5—The Company's shares are composed of state-owned shares, publicly owned enterprise shares, enterprise collective shares and staff members' and workers' individual shares.

Article 6—The company firmly insists on the principles of a "high starting point, specialization and large-batch production" and the guideline of "taking one industry or trade as the center and engaging in multi-fold operations" in developing, producing and marketing military products, and a range of gasoline serial products, motorcycle products, electrical and machinery products using gasoline engines for motive power, communications equipment products, shotgun bullet products, wire spring products, industrial steel ball products, ball bearing products, heart pacemaker products, motorcycle accessories, mini-type motor vehicles, sanitary equipment accessories, small-scale industrial boiler control systems and other products of allied technologies. In the foregoing, the aims are to equip the armed forces and serve national economic construction.

Article 7—On the basis of a lateral economic association, the Company forms a trans-regional, trans-departmental and trans-industrial and trade national enterprise group taking the company as the principal body, in combination with scientific research, production, commerce, foreign trade and currency. The group consists of the following four strata:

The first stratum is a company with integrated assets and the unified handling of personnel, finance, material resources, production, supply and marketing, this is the principal body of the group. The company is a legal entity.

The second stratum is a child company whose shares are controlled by the company. The child company has the status of an independent legal entity.

The third stratum consists of business units with which the company has share-participating and shareholding relations; the units include backbone production enterprises cooperating and coordinating with the company, commercial enterprises and foreign agencies, financial enterprises and colleges, specialized academies and specialized research institutes engaged in jointly developing technology. All of them are separate and independent legal entities.

The fourth stratum consists of enterprises with fixed cooperation and coordination with the company by negotiation. They are all independent legal entities.

Article 8—The company's registered name is: the China Jialing Industrial joint-stock Company Limited (Group). The legally fixed address of the Company's principle office is: Shuang Bei, Shaping ba district, Chongqing City.

Article 9—The trademark of the Company's products is "Jialing"; the ownership right of the trademark belongs to the Company. The Company's constituent members have the obligation of protecting and keeping secret the Company's specialized technologies and commercial information and intelligence.

Chapter II. Shares and Shareholders

Article 10—The Company's registered capital consists of assets in the form of state-owned shares, publicly owned enterprise shares, enterprise collective shares and staff members' and workers' individual shares. The company's issued shares are in equal amounts and the face value of each is 100 Yuan. In the year's announcement of the business results of the preceding year, the actual value of each share will be announcement simultaneously.

Article 11—State-owned shares: These refer to the shares converted from the net value of the state's fixed assets of a productive nature and the state's appropriations of fixed circulating funds (including the net value of the fixed assets formed by the state's past investments in the enterprises; net value of fixed assets formed by the renovation and transformation funds; newly increased depreciation funds on fixed assets; net value of fixed assets increased from the refunded or exempted product taxes when repaying loans; and the net value of the portion of fixed assets belonging to the state in the enterprises' before-tax repayment of loans and computed according to the profit distribution ratio between the state and the enterprises applicable during the loan repayment year). The share rights are state-owned.

Article 12—Publicly owned enterprise shares: these first refer to the shares converted from the net value of the valid and productive fixed assets bought with the profit-retention funds by enterprises under the system of ownership by the whole people since the 3d Plenary Session of the 11th CPC Central Committee and from the enterprise's self-owned funds; and second, refer to the shares converted from the assets belonging to the enterprise and computed according to the profit distribution ratio between the enterprise and the state applicable for the year when the enterprise makes the before-tax loan repayment. The share rights belong to the state but the dividend right and right of use of the shares belong to the company.

Article 13—Enterprise collective shares: These refer to shares converted from the net value of fixed assets of an effectively productive nature and circulating funds of enterprises under the system of collective ownership.

Their share right belongs to the enterprise collectively but not to any one individual of the collective. Moreover, the shares cannot be sold or divided privately.

Article 14—Staff members' and workers' individual shares. These refer to shares contributed to by cash from the staff members and workers individually. The share rights belong to the ownership of the individual staff member and worker.

Article 15—Regarding the methods of managing and controlling the Company's non-productive fixed assets (the property right in the case of enterprises owned by the whole people belongs to the state ownership and in the case of collective enterprises belongs to the enterprise's collective ownership), they will wait until the Company has put the relationships in order when the property right management committee will separately discuss their formulation.

Article 16—The investing instruments of shareholders in share subscriptions consist of: Net value of fixed assets of an effectively productive nature, cash funds, and industrial property rights (patents, trademarks and so forth must have been duly evaluated and the holder's ownership right determined).

Article 17—All the shareholders of the Company enjoy the rights and benefits, hold the obligations and bear the risks pertaining to the shares. In the event the company is bankrupt, its liabilities will be limited to disposal of its entire assets in compensation of the indebtedness while the shareholders' liabilities will likewise be limited to the shares they hold.

Article 18—The Company issues "share certificates" to the shareholders. The share certificate states clearly the followings: Total amount of the issuance, single share's face value, number of shares, the certificate's total value, number, date of issuance, and holder's name or unit. After signature by the head of the property right management committee and being sealed by the Company, the share certificate is valid.

Article 19—United wishing to invest in these shares should accept the provisions of these articles and make written application to the property right management committee and may perform the share investing procedure following approval by the committee.

Article 20—The Company enforces the system of requiring the staff members and workers to subscribe to an equal number of shares each and each member shall buy 6 shares.

Article 21—Resignation of shares is not permissible in the case of state-owned shares, publicly owned enterprise shares and enterprise collective shares. State-owned shares are allowed to be transferred between different government departments.

Article 22—In the case of staff members' and workers' individual shares, with the exception of cases of transfer, approved separation from post, removal from staff list, dismissal, separation on retirement, retirement and death, resignation from shareholding is uniformly not permitted.

Chapter III. Ownership Right Organization

Article 23—The Company establishes a property right management committee. The committee is an ownership right organization, and performs the following functions:

- 1) To determine the Company's main business direction, examine and fix the Company's development plan for 5 years and more;
- 2) To examine and approve the appointment of the head (chairman of Board of Directors) of the Company's operation and management committee;
- 3) To decide on the increase or decrease of the Company's assets, distribution program of profits or losses and such important matters as the establishment of branches, merging, business cessation, dissolution and bankruptcy.
- 4) To examine and revise the Company's articles of incorporation.

Article 24—The Company's ownership right management committee is formed by representatives designed by shareholders of various sides. Representatives of state-owned shares are designated one each by the state's shareholding departments, one representative is designated by the Company to represent the enterprise collective shares, and representatives of the staff members' and workers' individual shares are designated one each for every 8,000 shares.

Article 25—The ownership right management committee appoints by democratic election one chairman and two vice chairmen. Of the Vice chairmen, one must be representative of the staff members' and workers' individual shares. Their tenure of office is 5 years and they may be re-elected upon the term's expiry.

Article 26—In the ownership right management committee, voting is conducted on the basis of share rights, with one vote per share.

Article 27—In principle the ownership right management committee will convene a meeting once very year. If necessary, the chairman may call interim meetings.

Chapter IV. Management Power Structure

Article 28—The Company's organizes a management and control committee (board of directors). the committee is the management power structure of the Company's collective labor.

Article 29—The management and control committee exercises the following functions:

- 1) To execute the resolutions of the ownership right management committee;
- 2) To examine and fix the Company's middle-term and short-term (below 5 years) production and operation development plans;
- 3) To examine and fix the Company's annual financial budget and final accounts presented by the General Manager, to examine and discuss the Company's profit and loss distribution program and to carry it out following submission to and approval by the ownership right management committee.
- 4) To determine the Company's internal salary, wages, and bonus distribution programs and other matters relating to collective welfare;
- 5) To formulate the terms of the "staff's service pact" and contracts of newly appointed staff members and workers and to examine and determine the Company's various important regulations and systems;
- 6) To nominate by democratic election the chairman of the management and control committee and to report same to the ownership right management committee for approval and appointment;
- 7) To appoint, dismiss or engage the General Manager;
- 8) Based on the General Manager's nomination, to appoint/dismiss plant heads, department heads and managers whose term of office is 5 years each tenure.

Article 30—members of the management and control committee (directors) are elected by the Company's various units according to the allotment at the Employees' Representatives Congress. Of them, management personnel, technical personnel (including outside specialists and scholars engaged by the Company) and production workers account for approximately one-third each (detailed organization rules to be separately formulated).

Article 31—The management and control committee has one chairman (board chairman), three vice chairmen (vice board chairmen) the General Manager being ex-officio first vice-chairman (vice board chairman), and a number of standing committee members standing directors) all of whom are elected from among the members of the management and control committee.

Article 32—The management and control committee convenes a meeting every half year. In the event of special conditions, the chairman or one-third of the committee members may move to call a special meeting.

Article 33—On the basis of democratic decisionmaking by the management and control committee, the Company enforces the general manager responsibility system. Aside from big and important matters which must be submitted to the management and control committee for examination and decision, the general manager has the full power and responsibilities to handle (detailed rules to be separately formulated) the decisionmaking on the Company's ordinary daily business and production and management activities. The general manager is the Company's legal entity representative and may empower responsible persons of the Company's subordinate units to act as appointed agents of the legal entity's representative.

Article 34—The general manager holds office on a tenure system, each tenure lasting for 5 years and upon expiry he may be re-elected to continue in office. During his tenure, without the concurrence of the management and control committee, the general manager is not allowed to resign and cannot be transferred or separated by a higher-level organ. At the expiry of his term of office, the management and control committee will make an assessment of his past performance. If his performance is found to have been satisfactory and outstanding, he will be awarded and may continue in office. During the assessment, the person being assessed or evaluated should avoid being present in person.

Article 35—The Company's assistant general manager, chief engineer, chief accountant, chief economist, vice head of production plant, and vice department head (assistant manager) are nominated by the general manager to seek the views of the management and control committee and, if approved, the general manager will make the appointment. Their tenure of office is 5 years.

Article 36—The company does not separately set up a supervisory committee; the functions of the supervisory committee will be exercised by the Company's employees' representatives congress (detailed rules separately formulated).

Chapter V. Management Structure

Article 37—The Company's organs:

Based on the principles of simplicity, streamlining and efficiency, the following departments and units are established; technological development, production planning, finance and accounts, technological quality, personnel, labor and capital education, spare parts coordination, product sales, import and export, general office and production plants.

Article 38—The Company's functions and powers:

1) Thorough execution of the party's and state's guidelines, policies, laws, and regulations, responsibility for overall fulfillment of state plan, unified formulation of

enterprises' development programs and annual production plans, and unified development, unified coordination and unified marketing of main products;

2) Company enforces independent accounting, is solely responsible for its own profits and losses, and exercises a high-degree of power centralization in management of finance;

3) Regarding the management of funds, the Company adopts the forms of unified borrowing and unified repayment, borrowing at upper level and offsetting at lower level, and compensatory use of funds;

4) The Company has the power to transfer personnel.

5) The Company is responsible for allocating and transferring the state's distribution and allocation of resources and energy as per the budgeted targets to its subordinate units according to plan;

6) Adhering to the state's existing policies, the Company balances in a unified manner and managers according to grades its subordinate units' affairs relating to personnel labor and capital, living standard and welfare benefits, labor insurance, labor protection and environmental protection; the nature of the system of ownership to which the Company's staff members and workers originally belonged remains unchanged;

7) The Company is responsible for formulating the technical quality standards of its products and supervises their observance.

8) The Company is subjected to and accepts the inspection and supervision of the government departments such as finance, banking, taxation, auditing, commodity prices, industrial and commercial administration, statistical and so forth and pays taxes according to law.

Article 39—The Company internally enforces the system of the plants, departments, and companies being responsible for and having the powers of independent accounting, handling their own profits and losses:

1) Plant heads, department heads and managers are empowered by the general manager to act as agents of the representative of the Company's legal person and hold the responsibilities and power within the empowered area;

2) Plant heads, department heads and managers have the power of managing and directing production within their own units and are responsible for organizing the fulfillment of the various planned targets forwarded downward by the Company for execution;

3) Plant heads have the management power relating to production technology and product quality and must, according to the technical and quality standard prescribed by the Company, organize the staff members and workers to continuously improve the artcraft and ensure the continuous improvement in the quality of the products.

4) Plant heads, department heads, and managers have the power inside their units to set up organs, to appoint or dismiss personnel, to carry out internal distribution and to reward or punish their staff members and workers.

5) Plant heads, department heads, and managers have the power to arrange for the disposal and use of their self-owned funds;

6) On the precondition of ensuring the fulfillment of the Company's mandatory plans, the various plants, if they have surplus capability and conditions, have the power to produce and sell products demanded in the market or accept laboring and processing jobs from the outside; details regarding distribution of the benefits will be formulated separately;

7) the plants have the decisionmaking power to make use of their labor force if within the control scale of the company's labor force targets;

8) Subject to the precondition of without violating the Company's regulations and system, the various plans have the power, based on actual conditions, to formulate, revise, or abolish their own units' various kinds of rules and systems.

Chapter VI. Distribution System

Article 40—The distribution principle which the Company firmly follows vis-a-vis the shareholders is that dividends will be per share and share of losses will also be per share.

Article 41—Under the precondition of simultaneously caring for the tripartite interests of the state, the enterprise and the individual staff members and workers and both paying taxes and declaring profit dividends, the Company follows the procedure of first ensuring, second retaining, and third dividing in carrying out distribution so as to ensure the state's financial receipts. This is: the Company first pays the income tax. Then from the remaining portion the Company retains the accumulation funds, welfare funds and reserve funds and finally declares dividends per share. The staff members and workers are entitled to certain appropriate priorities in the distribution of profits.

Article 42—Thirty percent of the accumulation funds will be used to supplement the circulating funds and 70 percent for expanded reproduction, increasing or decreasing the per-share value accordingly; the welfare

funds will be used on the collective welfare of the staff members and workers; the reserve funds are for emergency use against the management risks.

Article 43—A small amount of award funds will be retained from the profit dividends for use in rewarding those operators (including specialists and scholars engaged from outside) who have made great and important contributions to the Company's production and business activities. The amount of the retention and concrete method of its utilization to be recommended by the management and control committee and reported to the property right management committee for approval and execution.

Article 44—After the Company's establishment, the original technical transformation loans will be subjected to before-tax repayment whereas the new technical transformation loans will be subjected to after-tax repayment.

Article 45—If the dividends received by the state-owned shares and publicly owned enterprise shares are reinvested in the Company. Their respective share amounts will be correspondingly increased according to their actual investment amounts so as to ensure that the state assets will occupy the leading position. The dividends received by the publicly-owned enterprise shares and enterprise collective shares will be centralized in the Company's management and control committee for use and disposal. Of them, a portion will be used on expanded reproduction and investments on development of new products and the two kinds of shares will be respectively increased in amount according to their actual investment amounts, while a portion will be used on the collective welfare of the staff members and workers and on awards in labor competition.

Article 46—The Company enforces the system of linking the gross amount of salaries and wages with the economic benefits and the gross volume of salaries and wages is charged to the production cost; the Company enforces various forms of the economic contract responsibility system vis-a-vis its subordinate units, the concrete methods of which will be formulated by the management and control committee; the Company's subordinate units enforce the system of distribution according to work in compensating their staff members and workers.

Chapter VII. Dissolution and Liquidation Procedure

Article 47—Upon any one of the following circumstances, the Company will be dissolved:

- 1) Serious violation of state laws and regulations and danger and damages to social public welfare;
- 2) The state's resolution to have the company abolished;
- 3) Other irresistible accidents making the Company unable to continue to exist;

4) The ownership right management committee's decision on closing the Company.

Article 48—Following the Company's announcement of dissolution, liquidation will be carried out, the procedure of which is as follows:

1) The ownership right management committee designates constituent members to form a liquidation committee and empowers it to carry out the liquidation work.

2) After its formation, the liquidation committee should within 15 days issue an announcement or circular asking all creditors to submit their claims of creditor's rights within 30 days.

3) The liquidation committee performs the following functions:

a) Making an accounting of the Company's properties and separately compiling a table of assets and liabilities and table listing the Company's properties;

b) Handling the Company's unfinished business collecting the Company's creditor's rights and collecting from the investors any capital funds not yet paid in;

c) Calling a meeting of creditors or other relevant meetings, formulating a concrete program for repayment of the debts and carrying it out under the supervision of the property rights management committee.

Article 49—Once the Company has decided on liquidation, no unit or individual is allowed to dispose of the Company's properties without the approval of the property right management committee; nor is the liquidation committee allowed to dispose of the company's properties prior to having fully repaid all the Company's debts.

Article 50—Following completion of the liquidation, the liquidation committee should compile a table showing the receipts and payments during the liquidation period and the various kinds of books and accounts relevant to finance which, after having been examined and approved by the ownership right management committee, will be submitted to the industrial and commercial control departments to apply for registration of suspension of business and announcement of the Company's dissolution.

Article 51—In the event of the Company's bankruptcy, the proceedings will follow the regulations of the "PRC enterprise bankruptcy law."

Chapter VIII. Appendix

Article 52—The right of interpreting these articles belongs to the ownership right management committee.

Article 53—These articles will go into effect on the day of the state's approval.

PROVINCIAL

Heilongjiang: Hou Jie's Government Work Report
SK250753 Harbin HEILONGJIANG RIBAO in Chinese
27 Jan 88 pp 1-3

[Report on the work of the Heilongjiang Provincial People's Government: "Deepen Reform, Do Pioneering Work, and Struggle for the Revitalization of Heilongjiang"; delivered by Governor Hou Jie at the first session of the seventh provincial People's Congress on 15 January 1988]

[Text] Fellow deputies:

On behalf of the provincial People's Government, I now submit a report on our work in the past 5 years and the proposals for the provincial economic and social development in the coming 5 years for examination and discussion by the present session.

1. Review of the Work in the Past 5 Years

Five years have elapsed since the convocation of the first session of the sixth provincial People's Congress in 1983. Over the past 5 years, under the correct leadership of the CPC Central Committee, the State Council, and the provincial party committee, our province has conscientiously implemented the line, principles, and policies defined since the 3d Plenary Session of the 11th party Central Committee and have firmly and unswervingly carried out reform and opened ourselves to the outside world. As a result, our national economy has embarked on a path of sustained and steady growth, and relatively great achievements have been scored by various fronts. In 1987 the total social product of the province is estimated at 81.8 billion yuan, a 47.5-percent increase over 1982, or an average annual increase of 8.1 percent. Total industrial and agricultural output value is estimated at 54.43 billion yuan, a 49.5-percent increase over 1982, or an average annual increase of 8.4 percent. The national income is estimated at 36.7 billion yuan, a 45.3-percent increase over 1982, or an average annual increase of 7.8 percent. Meanwhile, new progress has been made in various other social undertakings.

A. Grain production has embarked on a new stage, and the rural economy has developed comprehensively.

After the province topped 10 billion kg in gross grain output in 1966, its annual gross grain output ranged up and down from 10 billion kg to 14.45 billion kg for 17 years. In 1983 the province's total grain output reached 15.49 billion kg. During the 4 years following 1983, the province topped 15 billion kg in its total grain output on three occasions. In 1986 this figure rose to 17.75 billion kg, a record high in history. In 1987, despite the frequent and serious natural calamities, the province's total grain

output is still estimated at 17 billion kg or more. Over the past 5 years, the province's yearly average grain output was 16.44 billion kg, an increase of 2.84 billion kg, or 20.8 percent, over the output in the preceding 5 years. This shows that the province's grain production has embarked on a new stage. Meanwhile, the output of various cash crops has also increased in varying degrees. Compared with 1982, in 1987 the output of beets increased by 12.5 percent, flue-cured tobacco by 20.4 percent, and flax by 390 percent.

In the course of effecting a steady increase in grain production our province has witnessed great progress in forestry, animal husbandry, sideline production, and fishery. Over the past 5 years, the province has afforested 29.2 million mu, an increase of 65.5 percent over the total afforested acreage in the preceding 5 years; and the province's 29 cities and counties, part of the North, northeast, and Northwest China shelterbelt, have fulfilled the first-phase construction task 1 year ahead of schedule. Over the past 5 years, the province's output of milk, eggs, and sheep wool has increased by 205.4 percent, 109.9 percent, and 6.7 percent, respectively, over the preceding 5 years. In addition, the output of aquatic products has increased by 170 percent. In 1987 the total output value of town and township enterprises is expected to reach 8 billion yuan, quadrupling the 1982 figure, or showing a yearly average increase of 32.8 percent. Thus far, 1.4 million peasants in the province have shifted full or part-time from farming to industry, accounting for 7.1 percent of the province's rural population. The 1987 provincial total agricultural output value is expected to reach 11.53 billion yuan, a 28.1-percent increase over 1982, or showing an average annual increase of 5.1 percent.

The economy of state farms has also developed rapidly. The 1987 total agricultural output value of state farms is estimated at 1.89 billion yuan, an increase of 36.6 percent over 1982, or an average annual increase of 6.4 percent. Over the past 5 years, state farms in the province sold 7.72 billion kg of commodity grain to the state, 1.7 billion kg more than in the preceding 5 years.

The constant deepening of rural reform and the comprehensive increase in agricultural production have promoted the development of the rural commodity economy and have laid a solid foundation for effecting a steady growth in the province's economy as a whole.

B. Industrial production increased constantly and steadily, and economic results increased slightly.

In 1987 the province's total industrial output value is expected to reach 42.9 billion yuan, a 56.5-percent increase over 1982, or an average annual increase of 9.4 percent. The average annual growth rate of light industrial output value during the past 5 years was 9.7 percent, which was faster than the growth rate of heavy industry in the same period. The proportion between the light and heavy industries became more rational. Marked changes

also took place in the production set-up; the pace of development was accelerated in the textile, foodstuffs, paper-making, petrochemical, building materials, machinery and electric products, and gold mining industries; and output value, profits, and taxes also increased substantially.

Enterprises' technological transformation pace was accelerated. During the past 5 years, a total of 10,045 technological transformation projects were conducted, an increase of 77 percent over the previous 5 years. The investment in technological transformation amounted to 9.48 billion yuan, an increase of 110 percent over the previous 5 years. We imported and digested 345 foreign advanced technologies, an increase of 720 percent over the previous 5 years. Of all the technological transformation projects, 5,680 were completed and went into production. Through technological transformation, we succeeded in raising the technical level of the existing enterprises, expanding the production capacity, and accelerating the updating and upgrading of products.

The output of major products increased substantially. Compared with 1982, in 1987 the output of steel rose from 556,000 tons to 788,000 tons; that of cement, 3.211 million tons to 4.8 million tons; that of plate glass, 1.313 million heavy boxes to 2.5 million heavy boxes; that of raw coal, 45.69 million tons to 67.45 million tons; and that of power generation, 14.91 billion kilowatt-hours to 21.9 billion kilowatt-hours. We continued to maintain a stable and high yield in crude oil output. The output of dairy products rose from 26,100 tons to 76,000 tons, and that of wool fabrics rose from 1.978 million meters to 7.6 million meters.

The quality of products improved remarkably. During the past 5 years, a total of 2,860 provincial products won state, ministerial, and provincial quality-product awards; and the rate of quality products rose from 7.4 percent in the previous 5 years to 23 percent. We developed 7,527 new products during the past 5 years, of which 232 attained the international advanced level and 788 attained the domestic advanced level.

Economic results improved slightly. During the past 5 years, the province's state-owned industrial enterprises exercising independent accounting created 34 billion yuan of profits and taxes, showing an average annual increase of 3.2 percent. The number of money-losing enterprises dropped from 992 in 1982 to 723, and the amount of deficits dropped from 490 million yuan to 350 million yuan. In 1987 the per capita labor productivity of state-owned industrial enterprises is expected to reach 13,000 yuan, an increase of 24.3 percent over 1982, or an average annual increase of 4.4 percent. The consumption of standard fuel for producing every 10,000 yuan worth of industrial products dropped from 8.7 tons in 1982 to 7.2 tons.

C. Great achievements were made in building the infrastructure, and economic strength was further intensified.

During the past 5 years, the province continued to increase the investment in capital construction. In 1987 the investment in capital construction of the province's state-owned units is expected to reach 6.8 billion yuan, an increase of 120 percent over 1982. A total of 24.61 billion yuan was invested during the past 5 years, an increase of 90.1 percent over the previous 5 years, which was equivalent to 89.7 percent of the total investment made in the 26 years before 1987. During the past 5 years, the capital construction projects added fixed assets worth some 18 billion yuan. Construction was completed and commissioned on a group of large and medium-sized projects, including the first stage of the Daqing 300,000-ton ethylene projects, the first stage of the Harbin No. 3 power plant project, the first stage of the Fulaerji No. 2 power plant project, the Heilongjiang dairy product plant, the Heilongjiang woolen textile plant, the Daqing woolen blanket plant, the Heilongjiang glass plant, and the Harbin-Songhuajiang Highway bridge.

Construction of energy, communications, postal, and telecommunications infrastructural facilities was intensified. In the past 5 years, power generating installed capacity increased by 1.633 million kilowatts, for an average annual increase of 326,000 kilowatts. The 1987 volume of power supply is expected to be 21.2 billion kilowatt-hours, a 53.1-percent increase over 1982, or an average annual growth of 8.8 percent. Communications, transportation, postal, and telecommunications facilities improved. In railway construction, we completed the technical transformation of the Harbin-Mudanjiang-Linkou-Jixi and Linkou-Boli-Qitaihe Railways. We also technically transformed or expanded seven important railway stations and marshalling yards, such as Harbin, Mudanjiang, and Jiamusi. The first-phase construction of the Binzhou and the Binzhou-Suihua double-track projects was mostly completed. The provincial railway transportation capacity reached 120 million tons, 21 percent more than in 1982. Construction of the Nenjiang-Heibaoshan and the Beian-Heihe local railways, which was carried out mainly with local efforts, is being stepped up. In the past 5 years, 4,300 km of railways were newly built or renovated. Roads have been built to link 99 percent of the towns and townships and 66 percent of the villages throughout the province; and a road network centered on Harbin, with state and provincial highways as the key, and linking cities, counties, and villages of the province has been established in its initial form. People in border counties became able to have tap water supplied and listen to and watch programs transmitted the same day by the central and the provincial broadcasting and television stations. Postal service routes increased by 7,700 km in the past 5 years, long-distance telecommunications lines increased from 1,279 in 1982 to 2,127, and local telephone lines increased by nearly 100 percent. The Harbin-Daqing microwave telecommunications project and the Daqing-Qiqihar small coaxial cable project were completed. The

Harbin and the Qiqihar key telecommunications projects and the microwave projects in the eastern part of the province are being built strenuously.

Thanks to the efforts to strengthen the construction of infrastructural facilities and to the completion and operation of some key construction projects, our province's strained situation in power supply, communications, and transportation was further alleviated. This not only facilitated economic development but also prepared a reserve force for our province to revitalize its economy in the latter part of the Seven 5-Year Plan period and even in the 1990's.

D. We created a new situation in opening to the outside world and achieved notable results in foreign exchange earning through exports and in economic and technological cooperation.

Our province's foreign trade and economic and technological cooperation witnessed extensive development in the past 5 years, with our trade partners extending from Hong Kong, Macao, Japan, and Southeast Asia to North America and Western Europe. So far, our province has established trading, scientific and technological exchanges, and economic and technological cooperative relations with 110 countries and regions of the world. We opened foreign trade offices in Hong Kong, New York, and Hamburg and are preparing to open another one in Tokyo. Our province established friendly ties with 13 administrative areas at the provincial or city level in the United States of America, Canada, Japan, Denmark, and Australia. The province opened itself more broadly and deeply than ever to the outside world.

Foreign exchange earning through foreign export trade and the purchasing volume of export goods increased by a large margin. The foreign exchange earned in this 5-year period totaled \$2.39 billion, 350 percent more than in the previous 5-year period. The foreign exchange earned in 1987 is expected to be \$760 million, 330 percent more than in 1982. The 1987 purchasing volume of export goods grew by 120 percent over 1982. A fairly great change also took place in the export product mix, with the export of farm and sideline products decreasing from 63.6 percent in the previous years to 57.8 percent and that of machinery and electric products increasing from 3.8 percent to 5.5 percent. The variety of export goods increased from more than 100 kinds of 9 major categories to more than 500 kinds of 13 major categories.

The pace of using foreign funds and developing economic and technological cooperation was accelerated. Since 1983, we have used a total of \$280 million of foreign funds through conducting all forms of activities, an increase of 270 percent over the previous 5 years. During the past 5 years, we established 88 sino-foreign joint ventures and sino-foreign cooperative enterprises, imported 345 foreign advanced technologies, and brought in more than 4,000 foreign economic, scientific, and technical experts. Such a move helped to promote

technological progress among enterprises, raise management level and product quality, and intensify competition in international markets.

We witnessed rapid development in conducting barter trade with the Soviet Union and the Eastern Europe countries. Since the resumption of border trade with the Soviet Union in 1983, our province has imported and exported 150 million Swiss Francs worth of products in 5 years, showing an average annual increase of 21.6 percent. During 1987, the total volume of imports and exports is expected to reach 42.2 million Swiss Francs, an increase of 260 percent over 1983. During 1987, Heihe, Tongjiang, and Suifenhe cities developed mutual trade with some border cities of the Soviet Union, thus enabling the province to make a big stride in gradually forming multilayered and multichannelled trade and cooperation with the Soviet Union. Beginning from 1986, our province conducted barter trade with some socialist Eastern Europe countries. The total volume of imports and exports in 1987 reached 7.8 million Swiss Francs. At the same time, our province witnessed rapid development in contracting for construction projects and labor services abroad and in developing tourism.

During the past 5 years, while actively promoting foreign economic and technological cooperation, we also actively developed interprovincial lateral economic cooperation. Our province established multilayered economic and technological cooperation relations with 28 provinces, cities, and autonomous regions. Lateral economic cooperation was expanded from the production sphere to the circulation, scientific, and technological spheres, and from the industrial departments to the rural, commercial, banking, educational, cultural, and public health spheres. During the past few years, we signed a total of 11,400 economic and technological cooperation contracts, imported 830 million yuan of funds, organized 984 economic associations and enterprise groups of various descriptions, and brought in and exchanged 7,078 trained personnel of all kinds. This played an important role in promoting the province's economic development.

E. A new commodity circulation system was initially formed, and the urban and rural markets were brisk.

During the 5 years, our province's commodity circulation system was gradually changed from that of a closed state to an open state and from one which was marked by partition and blockade between cities and townships to one which opened to all cities and townships. A new commodity circulation system characterized by diversified forms of economy and management and circulation channels and fewer intermediate links was being shaped. Market mechanism played a greater role in commodity circulation. In 1987, the number of product varieties under the planned management of state-owned commercial business units dropped from 125 in 1982 to 13. The proportion of retail sales to the total retail sales of social commodities dropped from 61 percent in 1982 to 48.8

percent. The number of collective commercial networks rose by 100 percent over 1982 and the proportion of retail sales of these commercial networks to the total retail sales of social products rose from 34.4 percent to 35.3 percent. The number of private commercial household business rose by 440 percent over 1982 and the proportion of retail sales of these households to the total retail sales of social commodities rose from 4.5 percent to 15.9 percent. We also made new progress in gradually improving the market systems. The markets for the essential production elements, such as the means of production, banking, labor service, and science and technology, were gradually formed and expanded. Along with the change in the circulation system, markets in both urban and rural areas have enjoyed brisk sales unprecedented since the founding of the PRC. Commodity sources have increased and the growth of commodity procurement and purchase has been rapid. In 1987 the total volume of commodities procured by state-run commercial departments reached 18.9 billion yuan, an 84.7-percent increase over the 1982 figure. The average annual increase is 13 percent. Market supply has been somewhat improved and the total retail sales has shown a large scale increase. The total retail sales in 1987 is expected to reach 32 billion yuan, a 99.8-percent increase over the 1982 figure. The average annual increase is 14.8 percent. The variety, designs, and colors of commodities in both urban and rural markets have increased. Thus, the masses have had an increasingly larger choice of goods to select from. Fresh and seasonable commodities which have disappeared for many years have increased. The supply of daily necessities has been relatively sufficient and of high grade, famous brands, and fine and special quality, and new commodities has doubled or redoubled.

F. Financial revenues showed a stable increase and banking affairs achieved more rapid development.

Under the situation in which the factors of increasing expenses and decreasing revenues have continued to increase, our province has maintained a balance between revenues and expenses over the past 5 years and saw a little surplus. Over the past 5 years, financial revenues accumulated by the province have reached 18.58 billion yuan. The average annual increase calculated in terms of comparable items has reached 9.7 percent. The financial practical strength of prefectures and cities has been somewhat enhanced. Over the past 5 years, financial revenues accumulated by the prefectures and cities have reached 3.74 billion yuan. The average annual increase calculated in terms of comparable items has reached 13.8 percent. Counties and border and minority areas which receive state subsidies have scored a larger increase in financial revenues after being supported in key fields. Enterprises, establishments, and institutions have gradually become strong in their financial strength. Meanwhile, we have fulfilled the central financial assignments and the task of buying state treasury bonds on time.

Over the past 5 years, our province has achieved faster development in financial undertakings and established a

financial system in which the central banks are playing a leading role, the state-run banks are assuming main business, various financial organs are coexisting, and the division of labor and coordinated measures are adopted. At present, the number of financial organs in the province shows a 60 percent increase over the 1982 figure and the number of staff members and workers engaging in financial affairs shows a 50 percent increase over the 1982 figure. The province has basically set up the financial network in which banking units are scattered everywhere in both urban and rural areas and the distribution of banking units is reasonable. The variety of loans has increased and the banking units have also expanded their service in various social circles. The 1987 volume of financial undertakings showed a more than 100 percent increase over the 1982 figure. The province has established 46 transprovincial, transadministrative regional, and transdepartmental money markets at all levels in the key cities of Harbin, Qiqihar, Mudanjiang, and Jiamusi. With the cooperation of 52 cities throughout the country the province has also established the exchanging and lending network of funds. The volume of exchanged funds in 1987 reached 14.06 billion yuan, vigorously supporting the production development. The insurance business has continuously increased and insurance policies increased from 8 in 1982 to 63 in 1987. The income earned from the insurance business reached 680 million yuan and the business has played an important compensation role in the province's economic life.

G. Scientific and technological undertakings became increasingly prosperous and the undertakings of culture and public health achieved new development.

Over the past 5 years, funds used by the local financial departments throughout the province for the expenses of science and technology and education have increased year after year and the proportion of these funds in the financial spending has also increased. During the 1983-1987 period, the province's accumulated expenses on science and technology reached 610 million yuan, of which, those spent in 1987 reached 152 million yuan. The average annual increase was 13.9 percent. The province's accumulated expenses on educational undertakings reached 2.87 billion yuan, of which those spent in 1987 reached 720 million yuan. The average annual increase was 13 percent. The growth of the two expenses has surpassed that of the financial general revenue and spending of the corresponding period.

Scientific and technological achievements increased substantially, and these achievements were rapidly transferred to productive forces. In the past 5 years, the province achieved successful results in 2,224 major scientific and technological research projects of which 33 won state invention prizes, 104 won state prizes of scientific and technological progress, and 821 won the province's prizes of excellent achievement. Of these prize-winning projects, 78 reached or approached the advanced world level, and 478 reached the advanced domestic level. Thus far, 60 percent of scientific and

technological achievements have been popularized and applied, and remarkable economic results have been yielded. Under the guidance of Japanese experts in rice growing, our province has achieved successful results in popularizing the dry-farming and thin-planting technique for growing paddy rice since 1983. The paddy fields undergoing this technique expanded from 5,000 mu in 1982 to 6.3 million mu in 1987, with the per-mu yield reaching 400 kg. In the past 5 years, the province's paddy output increased by 2.4 billion kg, and income from it increased by 1.2 billion yuan. It is estimated that the role played by scientific and technological progress in promoting the economic growth rose from 18 percent in 1982 to 23 percent in 1987. In the past 5 years, our province also achieved outstanding results in social scientific research projects.

Various levels and various kinds of educational undertakings developed greatly. The province paid attention to elementary education. By the end of 1987, 86 percent of areas fulfilled the task of spreading elementary education. The province readjusted the secondary educational structure, attached importance to developing vocational middle schools and agricultural technological high schools, and trained a number of primary technicians. The secondary specialized schools set up an additional 27 specialities, and increased the enrollment quota. The higher education developed steadily. The number of students attending universities in every 10,000 people rose from 8.5 in 1983 to 22.4 in 1987. Higher learning institutes provided the society with 3,800 postgraduate students, 40,000 graduates through regular college courses, and 30,000 graduates through special college courses over the past 5 years. Various forms of adult education underwent rapid restoration and development, thus improving the professional expertise of workers' ranks. The province also adopted diverse methods to strengthen the building of teachers' ranks, thus improving the teaching quality.

Great achievements were scored in public health undertakings, and new improvements were effected in medical quality. The province's natural population growth rate was controlled within 10 per thousand. The cultural, sports, press, publishing, broadcasting, television, cultural relic, and various other social undertakings made new progress in disseminating the party line, principles, and policies, and in raising the people's ideological, moral, scientific, cultural, and health quality; and made positive contributions to strengthening the building of socialist spiritual and material civilizations.

H. Income of urban and rural residents increased, and their living standards improved.

In the past 5 years, the province provided jobs for 1.3 million urban residents, thus making the number of family members supported by each worker or staff member decline from more than 2 in 1982 to 1.75 in 1987. In 1987, the provincial total volume of wages for workers and staff members amounted to 10.2 billion

yuan, a 74.7-percent increase over 1982. The annual average cash wages for each worker or staff member amounted to 1,376 yuan, a 60.9-percent increase over 1982. If price rises are taken into consideration, the actual wages registered a 15-percent rise, an average annual increase of 2.8 percent. In 1987 the per-capita net income of peasants is expected to reach 480 yuan, a 90.5-percent increase over 1982. If price hikes are considered, the actual income registered a 41.6-percent increase, or showing an average annual increase of 7.2 percent. People's housing conditions were improved. In the past 5 years, the total floor space of residential housing completed in the urban areas came to 25 million square meters, and the housing space of each urban resident rose from 3.6 square meters in 1982 to 5 square meters in 1987. The total floor space of residential housing completed in the rural areas was 41 million square meters, and the number of rooms owned by each rural household increased from 2.59 in 1982 to 3.28. The consumption level of the urban and rural residents was raised somewhat. Adjusted for price hikes, comparing 1987 to 1982, the per-capita living expenses of the urban dwellers rose by 44.3 percent, showing a yearly average increase of 7.6 percent; and the per-capita living expenses of peasants rose by 37.9 percent, showing a yearly average increase of 6.6 percent. People's eating and clothing quality also improved greatly. Such expensive durable consumer goods as color television sets, cassette tape recorders, washing machines, cameras, electric fans, and electric refrigerators were bought by residents in large amounts. Savings deposits of the urban and rural residents increased substantially year after year. It is estimated that the total volume of savings deposits will reach 10.2 billion yuan, a 330-percent increase over 1982, or showing an average annual increase of 25.4 percent.

The above-mentioned achievements in the past 5 years were not scored easily. In 1987, in particular, in which natural disasters were numerous and serious, and factors for unstable economic activities increased, the province still achieved a comprehensive growth in its economy. These achievements should be attributed to our firm and unswerving implementation of the line, principles, and policies adopted since the 3d plenary session of the 11th party Central Committee. In carrying out actual work, we paid attention to the following areas.

First, we persistently proceeded from reality in defining the guiding ideology compatible with the situation of the province for its economic development.

In the 5 years, when organizing the economic work, the provincial government attentively regarded the analysis and study of the provincial situation and continuous enhancement of the understanding of the situation as an important prerequisite and, based on the changes in the national economic situation and the objective needs, put forward at an opportune moment the guiding ideology fairly compatible with reality for the economic development.

After 1983 when this government was organized, it conscientiously studied and absorbed the basic experiences of the previous governments in guiding economic work, and regarded these experiences as important reference to continuously promoting the province's economic development. In the past few years, based on the economic development strategies set forth at the 12th party congress, and the ideology of "understanding Heilongjiang anew, formulating plans for Heilongjiang, and building Heilongjiang" put forward by the provincial party committee, we organized forces from various quarters to conduct large-scale study of the strategies for economic development, and explicitly set forth the economic development principle of "conducting structural reforms and technical transformation, opening to the outside world and other areas of the country, and making the nation and the people prosperous." Determination of this principle signified that our understanding of the provincial situation had entered a new stage. A few years afterwards, particularly in the period when we were working out the Seventh 5-Year Plan, the provincial government implemented this principle in a comprehensive manner, and also continuously enriched and deepened this principle according to the different actual situations in the economic work in the various periods.

Following the change in the international and domestic economic situations, in order to expand our province's influence on the national, the Northeast Asian, and even the world economic pattern, and in line with the "10 major opportunities," and "5 major countermeasures" put forward by the provincial party committee, we worked out a plan of "launching an attack actively, cooperating with the areas to the south of our province, and opening to the areas to the north of the province." This means to carry out extensive lateral economic cooperation with all areas of the country; and to take advantage of the favorable time when the Soviet Union was carrying out reform and relaxing its economic policies to greatly develop the trades of various forms with the far east areas of the Soviet Union and the various Eastern Europe countries. To conform with the needs in the continuous development of opening up, we again further put forward the idea of "opening wide the four doors in the east, west, south, and north," meaning to open our doors wide on every side, thus greatly pushing forward our province's economy toward the direction of opening up. To change the outlook of the poverty-stricken counties of our province as soon as possible, and increase our economic strength, we made a policy decision on designating the departments and bureaus directly under the province to hold the responsibility for helping the poverty-stricken counties based on the provincial party committee's idea of "making the grassroots prosperous before making the province prosperous," thus exploring a new way to develop the economy of the poverty-stricken counties. In the past few years, to cope with the irrational production setup of our province, and turn our advantage in natural resources into an advantage in the economy, we developed and expanded the

foodstuff, textile, and other industries with the characteristics of our province in a planned manner and according to established priorities. After the completion and operation of the Daqing 300,000-ethylene project, we again defined the idea of "taking the oil industry as the mainstay in order to make Heilongjiang prosperous," and regarded the development of the petrochemical industry as the major pillar of our economy. Thanks to our continuous efforts to enhance the understanding of the provincial situation, the development of our province's economy was fairly compatible with the demand of the objective law.

Second, we persisted in attaching prime importance to reform and promoting the unceasing development of social productive forces.

During the past 5 years, we considered reform as the principal line running through the whole process of economic and social development. In 1983, we comprehensively conducted the first step of the rural reform focusing on the implementation of the family-based contract responsibility system. After that, we also readjusted the production set-up in the rural areas, abolished the system of unified and assigned purchases, developed the commodity economy, established rural-product markets, actively promoted the second step of reform, and mobilized the enthusiasm of the broad masses of peasants, thus giving new vitality to the entire rural economy.

The success of rural reform stimulated and promoted the development of urban reform. In line with the spirit of "the decision of the party Central Committee on reforming the economic structure," we firmly grasped the central link of invigorating enterprises in the course of urban reform and adopted a series of policies and measures. In enterprises, on the one hand, we proceeded the work from improving the relationship between the state and enterprises, and actively promoted all forms of the contract responsibility systems and the leasing and shareholding systems in the principle of separating ownership from managerial authority. On the other hand, we actively improved the relationship between enterprises and workers and universally implemented the plant director (manager) responsibility system and the system of internal economic responsibility among enterprises in the principle of integrating responsibility with rights and interests, thus mobilizing the enthusiasm of the enterprise managers and producers and intensifying enterprises' vitality. Outside enterprises, we simplified administration and decentralized powers, opened up and established various kinds of markets, conducted reforms in the planning, pricing, circulation, labor wages, finance, and banking sectors, and created fairly good external environment for invigorating enterprises. While successfully grasping economic structural reform, we also actively promoted scientific, technological, and educational structural reforms and reform in giving technical titles. Thanks to the deepening of all kinds of reform, we succeeded in breaking with the ossified and closed state of economic system, and enabled the economic

operational mechanism to shift from the product economy into the commodity economy, from the highly-concentrated planned mechanism into one which integrated the planned mechanism with market mechanism, and from the closed state of economy into the open state of economy. We initially formed an economic pattern which considered public ownership as the mainstay and allowed the coexistence of various forms of the economy and management and common development, thus giving rise to major changes in the whole economic and social life and in the people's mental outlook.

The process of reform is a process in which new systems replace the old systems; this will inevitably result in profound readjustment in the interest relations of all quarters. In order to persist in reform and to unceasingly deepen reform, we adhered to the following few points: 1) We persisted in changing concepts and intensifying the reform ideology. During reform, we attached prime importance to fostering the socialist commodity economic ideology. We organized the broad masses of cadres and the people to repeatedly study "the decision of the party Central Committee on reforming the economic structure," and the guidelines of the documents related to reform, conducted general discussions on developing the commodity economy, enabled cadres and the masses to integrate theory with practice, to further understand that the development of the commodity economy is an insurmountable socialist stage, to deepen their understanding of the necessity and urgency of reform, and to intensify their reform awareness. 2) We adhered to the reform orientation and continued to eliminate interference. We considered the development of productive forces as the fundamental criterion of reform and supported all that were favorable to developing productive forces and resolutely corrected all that were not. We adopted a firm attitude and a clear-cut stand to cope with the obstacles emerging in the process of reform. We gave timely guidance and clearly distinguished policy bounds to help cadres and people get rid of their doubts and misgivings, thus enhancing the mental capacity and the capacity of the society to deal with changes, and ensuring the smooth progress of reform. 3) We proceeded from reality and advanced actively and steadily. We were resolute in upholding the orientation of reform, and were active and steady in adopting reform steps. Proceeding from reality, we put one reform measure into effect and carried out reform in an area when we were sure of their success, and never did our work sporadically or sought uniformity. We lost no time in extensively conducting the reform that had proven effective, and paid attention to carrying out supporting reforms. We selected some units to try out the reforms which were more difficult, and of which the people's understanding was not unified, summarized the experiences, and then popularized them step by step. We allowed some units to start reform earlier and others later, never seeking uniformity in time, and thus ensured that reform developed soundly toward a correct direction.

Third, we persistently opened to the outside world, and eliminated the closed economic pattern.

In the past few years, we regarded implementation of opening up as a basic policy to revitalize our province's economy, and exerted great efforts to open the province to foreign countries and other areas of the country on a large scale.

In carrying out foreign trade, in line with the demands of the international market, we rationalized the export commodity mix, actively developed the production of the export commodities which reflected the superiority of our province, strived to expand the commodity supply sources, and improved our product quality and competitive edges. In 1985, we were engaged in the construction of the bases producing 10 major series of export products, and the plants specialized in the production of export commodities, and mapped out corresponding supporting measures, thus increasing our province's ability for sustained development of export commodity production. Meanwhile, through opening up trading offices abroad, and organizing relevant companies to attend foreign sales exhibitions, we expanded the marketing channels, and enabled some of our products to enter the markets of Europe, America, and Middle and Near East. We also made use of our exceptionally advantageous geographical position to actively develop trade with the Soviet Union and East Europe.

While taking the initiative in developing foreign trade, we adopted various measures to greatly expand foreign economic and technological cooperation. In the 5 years, we held four export commodity and economic and technological cooperation discussion meetings in Hong Kong and Harbin. In early 1985, the provincial government held a press conference in Beijing on Heilongjiang's economic and technological cooperation with foreign countries. Through various channels, we publicized and introduced Heilongjiang extensively to foreign countries, manifesting our province's earnestness and determination in opening itself to the outside world. The provincial government also formulated four preferential policies and stipulations one after another to encourage foreign firms' investment, and improved our province's investment climate. In the past few years, we used foreign capital and foreign government loans to technically transform old enterprises, improve the teaching conditions of some colleges and universities, and build a number of modern enterprises which would develop and utilize our province's resources. Through such measures as economic aid and establishing cooperative enterprises abroad, our province also contracted for international projects, and provided labor service to foreign countries to expand our province's influence on the world.

Development of lateral economic cooperation is an inevitable trend in the development of the planned commodity economy, and an important aspect of our province's opening to the outside world. In view of the

actual conditions of our province, we defined a development principle of cooperation with the areas both inside and outside the province, and with the areas at home and abroad, and adopted some major practical steps. In 1983, the provincial government issued a call allowing enterprises to bravely develop lateral cooperation. Since 1985, we successively summed up and popularized the typical experiences of Zhaozhou County, Jiamusi City, and Xingguang Machinery Plant in developing lateral economic cooperation; and made good achievements in enlivening the county-level economy, bringing into play the multifunctions of key cities, and developing both large and small enterprises on the premise that large enterprises played a leading role. During this period, we also formulated six policies and regulations on supporting the development of lateral cooperation and created relaxed environments for developing lateral cooperation. Emphasis was placed on developing economic and technological cooperation with well-developed coastal areas. Thus, the province now has more partners in cooperation and has scored increasingly better achievements in cooperation. The provincial government hosted an invitational meeting on lateral cooperation in 1986. More than 7,300 foreign and domestic firms attended the meeting. More than 2,700 agreements on economic and technological cooperation were signed at the meeting. The volume of technological, supply, and commodity trades reached more than 900 million yuan. This meeting was an unprecedentedly grand occasion in terms of its scale and achievements and produced a comparatively great impact at home and abroad.

Fourth, we paid attention to and strengthened macroeconomic management and promoted the sustained, steady, and coordinated development of the economy.

Over the past 5 years, the provincial government paid attention to strengthening macroeconomic management in line with the state requirements for striking a balance between the overall social demand and the overall social supply while opening the province to the outside world and enlivening the economy. The provincial government also made efforts to correctly handle the relations between various sectors of the economy in line with the economic law. While working out annual plans, particularly the Seventh 5-Year Plan, the provincial government gave full consideration to the requirements for economic and social development, and adopted a series of policy measures for avoiding the excessive strain on the relationship between various sectors of the economy and for maintaining the normal operation of the economic activities.

In the course of handling the relationship between speed and benefits, we took the historical experience of major fluctuations as a lesson; persistently proceeded from the province's situation; and strived to maintain a proper development speed on the premise of raising economic results. Thus, major economic fluctuations were prevented.

In handling the proportion between agriculture, light industry, and heavy industry, we strived to promote a balanced development through readjusting their relationship and to gradually embark on the course of coordinated development. We put the promotion of steady development in agriculture in the first place and constantly persisted in the principle of never ignoring grain production. We adopted various measures for stabilizing grain-growing areas, increasing the input in grain production, vigorously popularizing and creating new technologies, increasing per-unit yield, and increasing total grain production. A solid foundation for the development of the national economy was laid. The province accelerated the pace of readjusting the production between light and heavy industries in order to change the situation in which our province was weak in its light industry. While readjusting the proportion between light and heavy industries, we placed emphasis on readjusting the structures of light and textile industries in order to make the most of natural resources, to meet market demands, and to accumulate more capital; and adopted policies on "six priorities" to change the situation in which the province brings in large amounts of light industrial products from other places. The heavy industrial front further readjusted service orientation and product mix with a view to serving various sectors of the national economy, particularly, the light industry. The war industrial enterprises with equipment and technological advantages strived to change as soon as possible their product mix into one with the focus on production of products for civilian use. In line with the situation in which the development of the tertiary industry was slow in our province, we vigorously developed the banking, insurance, service, social welfare, and information consultative trades. As a result, the proportion of the value realized by the tertiary industry in the GNP rose from 15 percent to 29 percent. Through the readjustment made over the past 5 years, the province preliminarily rationalized the relationship between various sectors of the economy and further improved the situation in which various industrial structures lacked coordination.

While handling the relationship between immediate goals and long-term development goals, we persisted in stressing both and while grasping the current production and construction, we paid attention to accumulating momentum for developing the province's economy. We adhered to the principle of acting according to one's capacity, and rationally readjusted the investment structure on the premise of controlling the scope of investment in fixed assets, and used the limited amount of money in places where they were most needed. We increased the proportion of investment in infrastructure and basic industries annually. During the past 5 years, the province as a whole invested a total 8.5 billion yuan in energy, communications, and post and telecommunications, which was greater than any 5-year period in history. In power construction in particular, our province implemented the method of having local budgetary enterprises collect funds to run power stations earlier

than other localities, increased the proportion of investment in power construction raised by the localities, and enabled the growth rate of power construction to surpass the average growth rate of the economy. In light of the fact that our province had many large and medium-sized key enterprises and that there were much outdated equipment, we accelerated the technological transformation pace. During the past 5 years, the investment in updating and upgrading equipment accounted for 18.4 percent of the investment in fixed assets of the same period. All this has laid a foundation for the province's long-term and steady economic development.

While handling the relationship between accumulation and consumption, and in line with the principle of "first feeding the people and then building the country," we gave simultaneous consideration to developing production and improving the people's livelihood. We raised the material level and cultural life of the provincial people through adopting a series of measures to expand employment in society, readjust worker's wages, readjust the prices of agricultural and sideline products, improve housing conditions, and develop medical, public health, and social welfare undertakings.

Fifth, we persisted in promoting socialist democracy and unceasingly improving the socialist legal system.

During the past few years, we considered promoting democracy and improving the legal system as the essential conditions for successfully carrying out reform and construction as the main tasks for building spiritual civilization, and as the important aspect of strengthening the building of governments at all levels.

We persisted in promoting democracy and receiving supervision from the people. We allowed the people to participate in and discuss political affairs through all ways and means, and created conditions for unceasingly improving the socialist democratic systems. We reported on our own initiative all major issues concerning government work to the provincial People's Congress Standing Committee, conscientiously implemented the resolutions raised by the provincial People's Congress, and consciously received supervision from it. We actively handled within our capacity, all motions, criticism, suggestions, and opinions raised by deputies and gave necessary explanation for those that could not be handled for the time being. During the past 5 years, we accepted 3,064 criticisms and suggestions, of which 2,712 cases were handled. We paid attention to displaying the role of the consulting departments, absorbed all valuable suggestions and opinions and placed them in the policy decisions of the provincial government, thus raising the level of policy-making. We strengthened the building of the grassroots democratic system. More than 95 percent of enterprises and institutions throughout the province implemented the system of holding workers meetings and workers congresses, thus safeguarding the rights of workers to serve as masters of their own affairs.

We strengthened the building of the legal system. Governments at all levels established and improved the organs to handle the work concerning the legal system, and strengthened economic and administrative legislation in line with reform, opening up, and economic invigoration. During the 5 years, we conducted province-wide activities to sort out laws and regulations, and formulated and promulgated 152 new laws and regulations according to the needs. We strengthened supervision and inspection over law enforcement, established and improved systems, and handled a group of law violation cases. We succeeded in strengthening judicial and administrative work, extensively and deeply conducted legal education in cities and townships throughout the province, and further intensified the law concept and sense of citizenship of the cadres and the masses. We resumed and developed the lawyer and notary systems, thus providing a legal guarantee for reform, opening up, and development of the commodity economy. The province penetratingly launched the campaign of "dealing severe blows to criminal offences." Since August 1983, the province eliminated more than 5,700 criminal gangs, handled more than 14,000 serious criminal cases, and dealt blows to the sabotage activities of serious criminal offenders. At the same time, the province paid great attention to the comprehensive administration over public order and the basic work at the grassroots level; and investigated and banned ugly social phenomena. By so doing, the province's social order and atmosphere were improved gradually, and the situation in which the people had no laws to abide by and refused to observe laws was changed, thus ensuring the smooth progress of reform and economic construction. In the past 5 years, particularly in 1987, great achievements were scored in the army-civilian joint activity, and the army's unity with the government and civilians was strengthened. The PLA made positive contributions in launching the campaign of conducting scientific and technological activities during the winter, in doing rescue work and sending disaster relief, and in supporting economic construction.

Fellow deputies, the achievements scored in the past 5 years resulted from the efforts of the people of all nationalities throughout the province under the leadership of the CPC Central Committee, the State Council, and the provincial party committee; and resulted from the supports of the CPPCC, the various democratic parties and mass groups, and people in all circles. On behalf of the Heilongjiang Provincial People's Government, I hereby express my heartfelt thanks to all workers, peasants, intellectuals, cadres, PLA commanders and fighters, public security and judicial cadres and policemen, and personages from all circles who showed concern over and supported the province's socialist modernization drive!

The work done by our province in the past 5 years was much better than that in the preceding 5 years. However, compared with the requirements of the party, the state and the people, and with the advanced localities in other provinces, we still have a long way to go, and quite a few

problems remain in our work in the fields of emancipating our minds, utilizing natural resources, and developing the economy. In economic construction, the key problem was poor economic efficiency. In addition, the irrational economic and financial structures added a strain on the province's finance. This in turn restricted our input in building basic facilities, in carrying out technological transformation, and in developing various other undertakings, and affected the development of agriculture, science, technology, and education. In terms of economic life, the contradictions between the total demand and total supply remained very conspicuous, supply of energy resources and raw materials was seriously insufficient, the supply of some foodstuffs and daily necessities was relatively insufficient, and the commodity prices rose by a relatively big margin, which affected the livelihood of the urban and rural residents and thus evoked strong complaints from the people. In governmental work, there are still such problems as bureaucratism, perfunctory workstyle, lax discipline, and inefficiency. In guiding the provincial economic work, we still committed quite a few mistakes. For instance, we did not effectively exercise supervision and control over commodity prices; failed to give guidance and regulation to hog production; developed the urban and rural collective and individual sectors of economy in a slow manner; and paid insufficient attention to building professional morality and correcting unhealthy trends among various trades. In ideological awareness and practical work, the situation of placing undue emphasis on production to the neglect of safety remained, and serious accidents took place frequently, thus causing grave losses to the state property and the people's lives. These problems evoked many complaints from the people, and we are very distressed to see these problems. We will earnestly approach these problems, draw a lesson from them, and adopt resolute measures to correct them. 2. The Upcoming 5-Year Economic Development Strategy

The upcoming 5 years is a crucial period for our province to reserve strength and to lay a solid foundation for realizing the target of being "well-off" and is an important period for our province to change its out-dated economic systems into new ones. In line with the spirit of the 7th 5-Year Plan which was discussed at the 13th CPC Congress, the 8th (enlarged) plenary session of the 5th provincial party committee, and at the 4th session of the 6th provincial People's Congress, the provincial People's Government, after studying and analyzing the work done over the past 5 years and the current situation and problems, contended that in the upcoming 5 years, the major tasks of the provincial People's Government should be as follows: Efforts should be made to earnestly implement the spirit of the 13th CPC Congress, to uphold the basic line of the initial stage of socialism, to mobilize or organize the people of various nationalities throughout the province to fulfill or overfulfill the Seventh 5-Year Plan, to formulate or begin enforcing the Eighth 5-Year Plan, to deepen reforms, to accelerate the pace of opening to the outside world, to do pioneering

work arduously by self-reliance, to push forward various undertakings with economic construction as a focus, and to enable the province's work in various fields to reach a new standard.

The initial plan for the 5-year period from 1988 to 1992 is to enable the province's total social production to show a 6.9 percent average annual increase, the province's industrial and agricultural output value to show a 6.4 percent average annual increase, the province's national income to show a 6.5 percent average annual increase, and the province's financial revenues to show a 6.5 percent average annual increase. Along with the production development, the average annual increase of the practical consumption of residents in both urban and rural areas should reach about 4 percent. Only by fulfilling the above-mentioned targets can our province achieve greater development in the cause of building modernizations, further relieve the relatively prominent contradiction between supply and demand in the economic life, create a better economic or social climate for reforms and construction, further enhance the economic practical strength, and lay a dependable foundation for doing a good job in conducting the "second-stage" work. Thus, we are able to realize the target of making the province prosperous and wealthy and to make a solid and powerful step in making the people wealthy and happy.

In order to fulfill the 5-year tasks which are favorable for long-term development, it is imperative to apply the party's theory of the initial stage of socialism to further analyze and understand the province's situation and to formulate an adequate and stable strategy of economic development, which is suitable to the province's conditions.

Judging from the situation as a whole, our province, by experiencing the 30-year development of socialism, has scored great achievements in economic construction; enhanced its practical economic strength; achieved considerable development in the socialist undertakings of science, education, and culture; and enabled the people in both urban and rural areas to basically dress warmly and eat well and a number of areas to become well-off. However, the long-standing "leftist" influence has seriously hampered the development of productive forces and the socialist commodity economy. The current basic state of affairs are as follows: The province is still in the economic stage of engaging in developing natural resources; its production structure is unreasonable; its strong point of natural resources has not been turned into an economic one; its economic results are low; its commodity economy has not achieved full development; its proportion of the natural economy and the seminatural economy is very large; its industrial organizations are not harmonious; its large industrial enterprises which have a relatively rich foundation are coexisting with a large number of backward industrial enterprises; its

economic development is uneven; it still has a considerable number of undeveloped and poor areas; its undertakings of science and education lag behind; it lacks well-trained talented personnel; its quality of laborers is not high; its people's sense of developing the commodity economy is not strong; its people's sense of democracy and legal systems, which is related to the idea of developing the commodity economy, is weak; and its corrosive feudal and bourgeois ideology and its habits of petty production still exert extensive influence. All of these are the major characteristics and basic conditions of the province in the current initial stage of socialism. We should do things, handle questions, and formulate policies in line with this state of affairs. Proceeding from this understanding, the strategy for our province's economic development for the next 5 years should be as follows: carry out reform and construction simultaneously, rely on scientific and technological progress, intensively develop resources, readjust production setup, improve economic results, and achieve a sustained and stable development. The basic demand of this strategy is to achieve the optimum distribution of resources and industries to meet market demand and earn foreign exchange through export, stress the output rate of input, and economic accounting, strive to improve product quality, raise labor productivity, reduce material consumption, gradually change extensive management into intensive management, conscientiously bring the entire economic work to the orbit centering on improving economic results, and promote and accelerate the development of productive forces. To achieve this, we should adopt the following strategic measures.

A. We should regard the development of science, technology, and education as the foundation for developing the province.

Modern science and technology, and modern management are decisive factors to improve economic results, change backwardness, and develop Heilongjiang. We should remain clear-headed to understand that our province still relies mainly on traditional industries. Our technology and equipment as a whole are backward, product quality is low, material consumption is high, economic results are poor, and we lack competitive edges in both domestic and international markets. Without developing science and technology, we will be unable to change such a situation, and to rapidly push our province's economy to a new stage of growth. Moreover, the new technological revolution of the world is rapidly developing. If we fail to take advantage of this opportunity and adopt correct policy decisions to counter this challenge, our province will lag farther behind the advanced areas in terms of the economy and technology. Therefore, we should truly attach strategic importance to promoting scientific and technological progress, which is a task bearing on the entire situation.

In accelerating scientific and technological progress, we should bear in mind the actual conditions of our province, and regard economic development as a task of

prime importance. Scientific and technological work should be focused on equipping traditional industries with advanced technology, technically transforming the existing enterprises well, and facilitating the rural "spark" programs. We should concentrate efforts on the joint research on the key technological tasks emerging in economic construction and social development, and strive to score a number of significant scientific and technological achievements within a fairly short period. Meanwhile, we should have an enterprising spirit of serving the needs of the world and the future, and organize a small number of highly efficient scientific and technical personnel to carry out high technology research and basic research in a timely manner, and gradually explore several new industries. We should closely combine natural sciences with social sciences, exert great efforts to conduct research on soft science, and give full play to the role of science and technology in the overall policymaking. We should integrate more effectively our province's scientific research with the advanced technology brought in from other areas, and master, apply, and further develop the technology brought in from other areas. To make science and technology better serve economic construction, we should further deepen scientific and technological structural reform, establish an operational mechanism which closely combines science and technology with the economy, consolidate and improve technology market, establish and improve the system to popularize scientific and technological achievements, and shorten the period for scientific and technological achievements to turn into productive forces. We should continue to relax the control over scientific research organs, and support the development of nongovernment and individual scientific research organs. For this purpose, we should step up formulation of the program for the scientific and technological development of the province, and organize forces to put it into effect as quickly as possible so that economic development can be truly put on a foundation of scientific and technological progress.

In revitalizing the economy, the key lies in science and technology, and the foundation lies in education. From a long-term point of view, education is an undertaking which decides the destiny of the state and the future of the nation. Attaching importance to education is our resolute long-term strategy. We should adhere to the principle of making education serve socialist modernization; emphatically intensify elementary education; actively promote the 9-year compulsory education, develop teachers' training, vocational and technical education, adult education, and pre-school education; attach importance to the quality of education; and improve the quality of laborers in a comprehensive manner. Institutions of higher education should be oriented to the needs of economic construction, admit more students in line with demand and possibility, readjust the range of disciplines, and undergraduate and postgraduate studies, increase the disciplines which we lack and which we need urgently, and the new frontier disciplines, and train more

high-quality personnel for our province's economic construction. Following economic development, we should gradually increase educational funds, continue the method of running schools at different levels, mobilize the forces from the various quarters of society to raise funds through various channels and measures to run schools, and further open up a new situation in education.

The issues of science and technology and education are, in essence, the issues concerning talented people. Without talented people, there will be no rapid economic and social development. Those who have talented people will develop, and those who have not will decline. We should further establish a social environment in which knowledge and talented people are respected, and create favorable conditions for the growth of talented people, and the development of their abilities. We should formulate preferential policies to attract and accumulate talented people, and properly prevent the outflow and waste of talented people. We should organize well the rational flow of talented people, and encourage and mobilize the scientific and technical personnel with favorable conditions of scientific research organs, colleges and universities, and departments and organizations to operate enterprises on a contract or leasing basis, to lead the operation of enterprises, or to open up new enterprises, and to vigorously plunge into the major battlefield of economic construction. All the people contributing to our province's economic construction should be rewarded.

B. We should greatly intensify the construction of infrastructural facilities, and increase our ability for a sustained economic growth.

The backwardness and the weak foundation of the construction that should be developed ahead of others are the serious problems restricting our province's economic development. We should continue to intensify the construction of infrastructural facilities, and regard this as a key aspect of our development strategy.

A shortage of power supply is the fatal point affecting the entire economic development. If the problem of power shortage is solved, the production capacity of the existing enterprises is fully developed, no new projects are started, and the construction scale is not expanded, our output value may increase by several billion yuan. We should exert all-out efforts to intensify power construction in the next 5 years. We should be determined to push the power industry forward at the expense of some other projects. We should adhere to the principles of mustering the efforts of the state, the locality, and the enterprise, of developing hydraulic and thermal power stations, large, medium-sized or small, simultaneously, and of carrying out new, expansion, and renovation projects at the same time. Coal cities should develop the power stations built at the mouth of coal pits in a planned manner, strive to increase coal production, and

make sure that nonrenewable energy resources is transformed into renewable energy resources. We should eliminate the "same big pot" in the consumption of power, implement the policy that whoever develops power stations uses the power, and whoever makes investment is benefited, introduce the principles for the commodity economy into the development of power industry, and arouse the initiative of various quarters in developing power stations. According to our initial plan, our power generating installed capacity will reach 8.83 million kilowatts by 1992, doubling the present installed capacity, and the annual power output will increase by approximately 80 percent over the present output. Meanwhile, we should adopt some necessary measures to increase power resources and reduce consumption. Through the efforts of 5 to 7 years, we should strive to basically alleviate the strained power supply of the province.

Development of the economy cannot be separated from well-developed communication and transport services. While persistently placing railway service in a dominant position, we should accelerate developing highway, air, and water transport services; and gradually establish reasonably-distributed and appropriately-balanced communication and transport networks. It is necessary to accelerate construction of two state double-tracked railway lines and two local railway lines and to pay full attention to completion of the key projects of Harbin and Mudanjiang Stations. It is necessary to upgrade transportation capacity and ensure that highway service will become a major means of short-term transportation. We should positively develop water and air transportation and gradually enhance the roles of water and air transport services.

Appropriate development should take place in other infrastructural facilities, such as postal, telecommunications, and information services.

C. We Should Establish and Develop Pillar Industries With Heilongjiang's Characteristics.

With rich natural resources, our province has obtained advantages in five such fields as grain, timber, coal, oil, and machinery through developments of the past 10 years; and has made great contributions to the state. However, the province's industrial structure is not yet reasonable for historical and realistic reasons. With the focus on producing raw materials and developing an import-oriented economy, and with problems due to old systems and unreasonable price systems, the province has failed to upgrade its economic results, to accelerate the pace of increasing local financial resources, or to change natural resources into economic advantages. Practice has shown that economic development cannot be maintained simply by relying on consuming large amounts of natural resources and increasing the production of primary products. We must therefore establish pillar industries with the province's special characteristics, strong influential power, and potential to create

higher economic results. Only by so doing can we achieve the optimum distribution of resources, promote the rationalization of the industrial structure, and increase revenues. In line with the province's actual conditions in developing natural resources and the economy, we should establish and develop six major pillar industries.

The first is agriculture. Agriculture is the key link in the overall situation of construction and reform. "Unsteady development in 1 trade will bring about losses in 100 trades." Thus, we must always place agriculture in an extremely prominent position. The key to developing agriculture hinges on grain production. Therefore, we must never ignore grain production. The province should ensure a steady increase in grain production and strive to produce 20 to 22.5 billion kg of grain by 1992. We should pay attention to protecting and arousing the peasants' enthusiasm for growing grain. It is necessary to upgrade the per-unit yield of grain, to increase material input, to popularize advanced agricultural science and technology, to upgrade the agricultural machinery level, to transform low- and medium-yield farmland, and to carry out intensive farming. It is necessary to substantially do a good job in building export soybean production bases and commodity grain production bases. We should further improve the basic conditions for agricultural production, positively develop farmland capital construction projects with the focus on changing waterlogged areas, and strive to increase the reserve strength of agricultural production. We should positively develop industries that support agriculture, such as the chemical fertilizer, plastic shed, farm chemical, and farm machinery industries, to support agricultural development and farm agriculture. We should reasonably use farmland and pay attention to protecting land resources. In line with state requirements, we should develop and reclaim wasteland. It is necessary to accelerate development of the Sanjiang plain and strive to build the Sanjiang plain into an export-oriented agricultural production base with the focus on the production of commodity grain and the overall development of forestry, animal husbandry, sideline occupations, and fisheries. The province should strive to reclaim 10 million mu of wasteland and transform 10 million mu of low- and medium-yield farmland within 5 to 7 years. Meanwhile, the province should carry out measures to increase 5 billion kg of grain and ensure the promotion of grain production to a new level. Based on vigorously developing grain production, the province has striven to develop an agricultural structure with the capacity to create foreign exchange through exports. While developing the export of farm and sideline products with the focus on soybeans, we should bring into full play the rural areas' advantages of having rich labor forces to vigorously develop the export of products with labor intensive characteristics.

In agricultural development, we should persist in integrating agriculture with forestry, animal husbandry, and industry. We should consider the rapid development of animal husbandry, forestry, and township enterprises as

urgent tasks in improving the agricultural structure and readjusting the rural production setup in an effort to create a benign cycle in agriculture and guarantee a sustained and steady increase in grain production. At the same time, we should provide abundant agricultural, forestry, and animal products for the markets, stimulate development of the food industry and the daily necessities industry, and promote comprehensive economic invigoration in rural areas.

The second is the petroleum industry. The petrochemical industry is a raw material industry that requires more funds and accumulation and its production involves many other industries. It has been named one of the three major strategic industries in the world today. Developing the petroleum industry is helpful to not only improving our province's production setup, but also to rapidly improving the financial situation. It is an important way to invigorate our province's economy. Therefore, we should make up our mind to rely on Daqing to accelerate development of the petroleum industry. We should vigorously collect domestic and foreign funds and technical forces through all channels; adopt various operational methods, such as developing enterprises with one's exclusive investment, joint ventures, and enterprises run by the province or collectives; and run a group of key petrochemical industrial projects. In general, we should mainly cooperate with Daqing to develop small oilfields and build such projects as the 20,000-ton methacrylic methylester [Jia ji bing xi jia zhi 3946 1015 0014 7910 3946 5176] project, the 40,000-ton polypropylene project, the 60,000-ton polyethylene project, the 80,000-ton polyester project, and the 300,000-ton synthetic ammonia project. In addition, we should strive to develop the coal chemical industry. After being put into production, these projects may help to increase more than 4 billion yuan of output value and create an additional 1.7 billion yuan in profits and taxes. By that time, we may form a production chain, with the petrochemical industry as the link, and the outlook that the entire industry will undergo great change.

The third is the machinery and electronics industry. The machinery and electronics industry has shouldered the major tasks of providing technical equipment for all economic departments in the province and the country. The entire machinery and electronics industry should accelerate technological progress; strive to integrate development of high-grade, precision, and high-efficiency machines, electronic products, and meters; improve product quality; increase product variety; and give priority to developing electric power, instruments and meters, precision machine tools, metallurgy, steel rolling, large-scale forging, bearings, and all kinds of electronic products. After several years of efforts, we should strive to remarkably improve the technological level of key parts of major production, such as agriculture, energy, raw materials, communications, telecommunications, and machine building. At the same time, we should actively open international markets and strive to raise machinery and electronic products' competition. To

guarantee development of the machinery and electronics industry, we should actively develop iron and steel and, based on the existing steel output of 790,000 tons, strive to make the output reach 1.05 million tons in an effort to end the province's shortage in steel and iron.

The fourth is the food industry. At present, our province's food industry already has a fairly good foundation. To cope with the daily expanding domestic and international food markets, we should develop the food industry and consider it a superior industry. We should consider development of agricultural and animal products, mountain and native products and other natural resources as the foundation, expand the production scale, and increase product designs and varieties. While carrying out the rough processing of traditional products such as grain, oil, and meat, we should also gradually shift our attention to precision and intensive processing industries, create brand-name, quality and special products, and rapidly form industries with a rational layout, advanced technology, all branches of science, and a solid foundation.

The fifth is the textile industry, focusing on flax, wool, and chemical fiber. Our province has favorable conditions for developing the natural resources of flax, wool, and chemical fiber. In the future, we should establish and develop stable and solid raw material bases, strive to create foreign exchange through exports, develop export-oriented industries, raise product quality, tap production potential, develop new products, take garment making as the lead, and form a coordinated chain of production system from spinning, knitting, and dyeing to finished garments.

The sixth is building undertakings. Along with the development of economic construction and the steady improvement of the people's livelihood, particularly with the advance of housing commercialization, we should achieve greater development in building undertakings. Efforts should be made to actively promote reform among construction enterprises and to adopt advanced technology to improve or perfect systems on the construction front and to enable building undertakings to become an important pillar in the province's national economy.

To enable the aforementioned pillar undertakings to achieve rapid development, it is imperative for our province to formulate the policies of this front under state macro-guidance and to adopt various economic ways and means to emphatically invest limited financial resource and materials in departments that engage in building these undertakings and to ensure fulfillment of fixed targets. Meanwhile, efforts should be made to realistically conduct simultaneously the work of developing or utilizing natural resources and of carrying out environmental protection so as to maintain a basic ecological balance.

D. We should open in all directions to the world.

In the open world at present, it is impossible for a country to succeed in engaging in construction by shutting its door. The province's development cannot be divorced from the country and the world as a whole. As far as the demand and potential of the province's economic development are concerned, we should further accelerate the pace of opening to the outside world, plunge into the big environment of the world economy by adopting a more active attitude, and create much better conditions for developing the economy in the province.

In opening to the outside world, we should regard the work of earning foreign exchange by expanding exports as the first task. Efforts should be made to continuously readjust the structure of export products, to upgrade the quality of export products, and to lower the cost of exchanging currencies. In line with the plan, we should accelerate the pace of building production bases of the 10 export commodities and continuously enhance export capability. In conducting importation, emphasis should be placed on bringing in software, advanced technologies, and crucial equipment. We should strictly prevent bringing in technologies blindly and redundantly. Wasting state foreign exchange should be resolutely corrected. Utilizing foreign funds represents an important channel in dealing with the shortage of construction funds. Therefore, we should continuously enforce the policy of giving preferential treatment, improving the investment climate, and further enhancing the province's attraction to foreign investment.

What is to be emphatically pointed out at present is that in opening to the outside world, our province is in an advantageous position with respect to the northern region of the world, particularly toward the Soviet Union and East European countries, not only judging from economic characteristics, but also from the geographical situation. Therefore, we should further emancipate the mind; seize the favorable opportunity of the Soviet Union, which is moving its economic strategy from Europe to the East; open more border trade centers in a planned manner; expand economic and technical cooperation with the Soviet Union and advance trade activities simultaneously at state, province, and border levels; and strive to increase the volume of barter trade with East European countries. By so doing we can establish a new setup of opening in all directions to the world based on opening to both the East and the West.

E. We should vigorously invigorate the economy at the county level.

The county level is the binding part between the urban and rural economy. Failure or success in the economy at the county level will affect the province's situation as a whole. An important reason for the province becoming weak in financial strength at present is weak economic strength at the county level. The province has spent 180 million yuan on giving subsidies to poor counties. If counties that receive subsidies could maintain a balance

between revenue and expenses, the province would quadruple its financial reserve strength on the current basis. Therefore, we should regard the work of invigorating the economy at the county level as one of the important strategies in promoting economic development in the province.

Because the county-level economy has a localistic, flexible and independent nature, we should further expand the autonomy of the county-level economy. Various counties should be allowed to make appropriate adaptations to the work quota assigned by higher levels in light of their specific conditions so that they can conduct their work in a creative manner. Various counties should be granted more powers to guide the professional affairs of those departments administered by them, to coordinate the work of these departments, and to participate in the personnel matters of these departments so that the county authorities can assume overall responsibility for the county-level economy. To infuse greater vitality to the county-level economy, we should support the development of the county-run industries in the supply of talents, funds, materials, and technology, so that each and every county can establish its "pillar enterprises" with its own specific characteristics and can broaden its financial resources. With success in developing the county-run industries, a county will ensure a better livelihood for its people. Continued efforts should be made to help those counties, which suffer a financial deficit and receive subsidies, to change their backwardness. Efforts should also be made to develop the economy in outlying mountain areas, border areas, and minority areas. Incentive policies should be adopted for those counties with a relatively good economic foundation in order to stimulate their initiative to develop the economy and increase financial revenues. Efforts should be made to enhance the financial strength of various towns and townships. Because small towns have their special role in enlivening the county-level economy, we should accelerate the construction and development of small towns. We should give play to the role of central cities, further attend to the work of making cities bring along counties, and gradually integrate the city economy with the county economy. In developing the county-level economy, we should pay special attention to maintaining the stability of the county-level leading bodies, to implementing development plans without interruption, and to overcoming and correcting some short-term behaviors in leadership so that the county-level economy can develop in stages in line with development plans.

3. Major Work for 1988

A thousand-li journey is started by taking the first step. Achieving success in the 1988 work is of great significance in fulfilling various tasks for the coming 5 years. In the new year, we should comprehensively implement the guidelines of the 13th party congress; conduct education on the basic line; firmly and unswervingly implement the State Council's principle of further stabilizing the economy and further deepening reform; and uphold the

simultaneous building of spiritual and material civilizations in line with the strategy for the provincial economic development in the coming 5 years. We should also permeate all the 1988 work by endeavoring to launch the campaign to increase production, practice economy, increase revenues, and reduce expenditures; and improve economic efficiency to promote the sustained, steady and coordinated growth in economic and social development. The major goals for economic development are: To strive for a 6.3-percent increase in the total social product, a 6.3-percent increase in the total industrial and agricultural output value, and a 6-percent increase in the national income over the 1987 figures. At the same time, new progress should be made in various social undertakings.

To this end, we should actually attend to the work in the following six fields.

A. We should accelerate and deepen the economic structural reform.

Basically speaking, we should depend on the acceleration and deepening of reform to promote economic and social development. We should persistently grasp reform, make reform play a dominate role in doing everything, and continue to push forward economic construction and the work in all fields.

This year, our reform work should focus on developing and perfecting the management mechanism of enterprises. We should continue to solve problems concerning the separation of government administration from enterprise management and the separation of ownership from management right. Enterprises should be granted more powers to exercise independent accounting, assume sole responsibility for their losses and profits, and conduct management independently. Enterprises should establish a management mechanism which integrates duties with rights and profits, and which gives themselves not only an incentive but also restrictions. We should develop various forms of contracted management responsibility systems among 90 percent of large and medium-sized enterprises; should popularize the leasing system among 60 to 70 percent of small industrial and commercial enterprises; and should implement on a trial basis the shareholding system among integrated enterprises and enterprise groups. Competition mechanism should be introduced to enterprises. Enterprises should select and invite their managers from among the best through public bidding. Meanwhile, enterprises should conduct the necessary supporting reform of leadership, accounting, labor personnel, and distribution systems in an effort to arouse the enthusiasm of the whole staff and workers. It is necessary to gradually rationalize the property of the state and the enterprises. The system under which the state and enterprises keep separate accounts should be carried out on a trial basis among large enterprises. Attention should be paid to eliminating the enterprises' activities of assuming responsibility only for profits but not for losses.

In line with the unified state plan, the province should conduct by stages the reform of the planning, investment, supply, foreign trade, financial, banking, commercial, and supply and marketing systems; conduct pilot reform of the housing system; and gradually carry out the method of housing commercialization. It is necessary to positively cultivate and perfect the market system; develop banking, technology, supply, and labor markets; and promote the establishment of the operational mechanism under which "the state regulates markets and markets give guidance of enterprises."

The development of lateral economic cooperation should positively be guided and promoted to higher levels. The economic and technological cooperation between various regions should be further expanded. The establishment of enterprise groups and enterprise associations should be positively promoted. While conducting lateral cooperation, the province should set its sight on bringing into full play the potential of various production factors, adopt various forms to promote the development of close-typed cooperation, and organize and guide industrial enterprises and the raw material-producing areas to conduct cooperation.

It is necessary to continue deepening rural reform and enhancing the vitality of the rural economy. The rural reform and the urban system reform should be closely coordinated. In line with the principle of improvement, consolidation, coordination, and enhancement, we should promote the development of new systems. We should further implement various rural policies and protect and arouse the enthusiasm of peasants. It is necessary to continuously promote the reform of the rural circulation system and to create conditions for inviting increasingly more peasants to the circulation field. Efforts should be made to stabilize the system of contracted responsibility on the household basis with payment linked to output and to continuously perfect the dual-layered management systems, such as the centralized management system and the decentralized management system. It is necessary to develop new economic cooperatives and various types of associations and to set up and perfect the socialized service system. We should positively develop the rural credit cooperatives and further enliven rural capital. It is necessary to continuously readjust the industrial structure and to promote the transfer of rural labor forces to the urban areas. We should strengthen management, take advantage of favorable conditions and avoid weakness, gradually guide the development of private enterprises and individual sector of the economy, and protect their legitimate management activities and legal rights. We should conscientiously attend to the pilot work of the areas that conduct rural reform on a trial basis to ceaselessly accumulate experience in deepening rural reform. We should accelerate the reform of the state farm system, strive to develop household-based farms, carry out the system of developing farms run by a household or several households jointly and the system of using farm tools on a contracted basis, and bring into play the functions of state farms in modernizing the province's agriculture.

B. We Should Further Stabilize the Economy and Strive To Develop Production while Tightening Finance.

The fundamental way for further stabilizing the economy is to develop production and improve supply.

First of all, we should stabilize agriculture. If agriculture is stabilized, there will be a foundation for stabilizing the economy. We should further strengthen the leadership over agriculture, continue to firmly attend to grain production, and promote the overall growth of the rural economy. The province plans to produce 17.5 billion kg of grain and soybean and strive to set a record in history. To ensure the steady increase in the output of grainland cash crops, we should readjust the cropping structure in line with the social demands and the requirements for reasonable crop rotation. Efforts should be made to stabilize the acreage of corn production, reasonably readjust the acreage of soybean production, increase the acreage of wheat production, and vigorously develop rice production. According to the demand of light industrial production and markets, we should make adequate arrangements for the production of cash crops, such as beet, flax, and vegetables. All industries and trades should vigorously support agriculture; improve the supply of farming materials, such as fertilizer, plastic sheet, and diesel; and should adopt ways and means to increase the supply of materials. A good job should be done to continuously enforce the responsibility system to help poor areas become well-off and make arrangements for the production and livelihood of poor areas, remote and mountainous areas, and minority areas in order to enable them to change their backward outlook as soon as possible. A good job should also be done in making various preparations for agricultural production this year, such as building water conservancy facilities, carefully selecting seeds, accumulating and delivering manure, repairing or manufacturing farming tools, and successfully holding technical training classes for peasants to lay a solid foundation for reaping a bumper agricultural harvest this year. While successfully grasping grain production, efforts should be made to vigorously develop animal husbandry, forestry, and town-run enterprises. As soon as possible, we should change the decline in hog raising, readjust the hog purchasing price, successfully and continuously implement the policy on helping households which raise hogs, and should realistically and successfully conduct the basic work, such as increasing the number of sows and enhancing the service systems for hog-raising households. Efforts should be made to popularize the new hog raising technology, actively support the specialized or large specialized households which raise hogs, and develop a large number of new hog-raising bases and farms at township (town) and county levels to increase the raising and product quantities. Forest areas should uphold the managerial principle of regarding forestry production as a basis, of integrating tree felling with planting new trees, of carrying out comprehensive development and a diversified economy, and of achieving overall development to enable the production of forestry and forest industry to

achieve new development. A good job should be done in continuously planting trees by the entire people to upgrade the rate of tree survival and forest maintenance. Town-run enterprises should maintain the good trend of steady development and their total output value is planned to reach 10.5 billion yuan this year, a 30 percent increase over the 1987 figure. Their taxes and profits are planned to reach 900 million yuan. Efforts should be made to vigorously develop enterprises run by villages and households and jointly run by households; to build more backbone enterprises which turn out export commodities; and to actively establish lateral economic and technical associations with the urban industrial enterprises, scientific research units, and higher educational institutions to promote technical progress among enterprises, upgrade the quality of enterprises, increase the variety of new products, enhance the competitive capability, and achieve unity between growth and economic results. We should maintain the stable development in industrial production under the tightened situation. A most practical and effective way is to fully tap the potential of existing enterprises and follow the road of enlarging the reproduction with the central task of increasing the variety of products. According to the preliminary plan, compared to 1987, the per capita productivity of state-run industrial enterprises in 1988 should increase by 4 percent material consumption should decrease by 2 percent, managerial expenses should decrease by 5-10 percent, and their volume accumulated in switching losses to profits should increase by 30 percent. To fulfill the above targets, localities should realistically conduct their work in the fields of readjusting product structure, improving business operation and management, and enhancing technical renovations. In line with market demands, all enterprises should organize their production well. Localities should concentrate their power supply, funds, and raw materials on supporting the local production of fine and special quality commodities, agriculture-oriented products, export products, and other products enjoying brisk sales. Efforts should be made to curtail the production of overstocked and unsalable commodities or to force them to suspend or transfer their production. All production departments should launch the campaign to increase production and practice economy as well as increase incomes and curtail expenses, continuously have enterprises upgrade their standards, and should put the work of upgrading product quality and lowering material consumption in front to enhance the overall management of product quality, improve the system of ensuring product quality, and seek survival, economic results, and development by turning out fine-quality products. Under the tightened credit situation, it is very important for us to invigorate the circulation funds of enterprises. All enterprises should reduce their occupied funds, accelerate fund circulation, and upgrade fund effect. A good job should be done in putting technical items which have been renovated over the past few years into production and in enabling these technical items to reach the fixed

production target. Efforts should be made to organize social forces to assimilate the imported advanced technology to upgrade benefits and enhance reserve strength.

We should strive to expand the capacity to create more foreign exchange through exports and strive to expand the scale of economic and technological cooperation with the outside world. This year, the province plans to create \$726 million foreign exchange through exports, an increase of 20.9 percent over the 1987 plan. The task for exports is very important. We should adopt various encouragement policies on creating foreign exchange through exports and increase the exports of readily marketable commodities and commodities with good economic results in line with the demands of international markets. It is necessary to further improve the management and operation of enterprises with the focus on producing export products, and reduce the cost of products with a capacity to create foreign exchange through exports to reduce the losses due to exports. We should further expand the sources of export goods, strengthen management, prevent the outflow of export goods, stop panic purchasing, and jointly develop external trade. In line with the plan for building 10 large bases, we should concentrate capital, materials, and technological forces on producing some products that can be developed rapidly and can create good economic results and on accelerating the pace of building the bases. We should grasp the chance to develop trade and cooperation with the Soviet Union and East Europe in a planned, well-guided, and positive manner and strive to make a new breakthrough in this regard. We should further expand the scale of assimilating foreign capital and develop new export-oriented and high-technology joint ventures. The province should enhance the attraction of tourist trade, enhance building and labor service trades' competition ability among international markets, and earn more income from non-trade business.

The circulation field should strive to maintain market stability. Under the situation in which some goods and materials are in short supply and there is a strain on the supply of goods and materials, we should bring the dominant role of state commercial enterprises into full play and strive to stabilize the marketing of foodstuffs, vegetables, and daily industrial products. We should adopt various methods to arouse the peasants' enthusiasm for raising and marketing hogs and the enthusiasm of hog-raising areas for allocating hogs to hog-marketing areas. It is necessary to appropriately increase the supplies of beef, mutton, rabbit meat, poultry, eggs, and soybean products; and alleviate the strain on market supply. We should conscientiously sum up the lessons from substantial increase and reduction of vegetable production and marketing, arrange sufficient vegetable-growing areas in a way that the output of vegetables should surpass the marketing of vegetables, further stabilize the method of purchasing vegetables according to contracts, implement the policies on vegetable production and marketing, and strive to satisfy the dwellers of large and medium-sized cities with sufficient vegetables.

We should expand the sources of readily marketable industrial goods, strive to increase the production of commodities that are badly in short supply, vigorously organize the marketing of local industrial goods, and positively handle commodities with problems. It is necessary to further send industrial goods to the rural areas and to meet the rural people's demands for production and livelihood. We should encourage the development of collectively- and individually-owned commercial enterprises, achieve a success in marketing building, strengthen market management, make markets dynamic but not chaotic, and promote the development of urban and rural trade fairs.

We should strengthen financial, tax, and banking work; intensify tax revenue and management; strive to open up financial resources; and increase revenues. We should bring into full play the functions of banking departments, try every possible means to collect funds and facilitate the flow of capital, and positively support the development of key projects and industrial and agricultural production.

On the basis of developing production, we should maintain a steady increase in the income of urban and rural people in an effort to continuously improve the people's living conditions.

C. We Should Strive To Eliminate the Unsteady Factors in Economic Activities And Ensure Smooth Economic Development.

The excessive price hikes, the excessively large scale of investment in fixed assets, the expansion of consumption funds, and the excessive increase in expenditures are still major problems that affect economic stability. Thus, we must conscientiously solve these problems.

Stabilizing goods prices is a pressing matter of the moment. This is a matter relating to stabilizing the economy, deepening reform, and consolidating the political situation characterized by stability and unity. Thus, we should conscientiously implement the work principle of persisting in reform, steadily making advances, and maintaining the basic stability of goods prices; adopt effective measures to strictly control price hikes; and resolutely control the overall price hikes within the state defined targets. Governments at all levels should implement the responsibility system of "contracting for index and controlling funds" in places where needed, emphasize price stabilization of nonstaple food and vegetables, and display the role of state commercial units in regulating prices. If state commercial units want to raise commodity prices that they may have a free hand in management, they must report the prices to the authorities concerned. They must also set a ceiling price for major nonstaple foodstuffs to be sold in farm product markets. It is necessary to fully display the supervisory role of pricing, industrial, commercial and audit departments; strictly control price readjustment; strictly observe price discipline; resolutely struggle against the

monopolized enterprises' unlawful act of forcing up prices; and realistically strengthen price management over trade fairs and individual industrial and commercial households. We should strictly punish those who violate the price policies and punish in line with law all those who seriously disrupt economic order. We should integrate regular general price surveys with constant supervision, and the supervision of special departments with mass supervision, rely on the coordinated efforts of the special departments and the strength of the broad masses of people, resolutely check the unhealthy trends of arbitrarily raising prices or raising prices in a disguised form, and guarantee the attainment of the goal of stabilizing commodity prices.

We should strictly control the scope of investment in fixed assets, and emphasize control of extra-budgetary investment. The general principle is to unceasingly implement the policy of three guarantees and three restrictions, and to strengthen control over three aspects: We should control the construction of projects. No new projects will be initiated without approval. Based on power balance, we should conscientiously sort out projects under construction and stop or delay the construction of guesthouses and hotels and projects that do not have power supply contracts or yield no profits. We should control funds, strengthen management over local funds, enterprises' reserve financial resources, and extra-budgetary funds, as well as bank loans funds raised by the localities for capital construction. We should control leadership, resolutely implement the director responsibility system, and guarantee that the scope of investment in fixed assets will be controlled within the state plan. In addition, we should readjust the investment structure, grasp the prominent points and guarantee funds needed for the basic industries and infrastructure. This year our province should complete and put into production 10 major projects, including the no. 1 power generation units of the Shuangyashan power plant, the no. 3 power generation units of the Liangzihe power plant, the no. 5 power generation units of the No. 2 Fulaerji power plant, the no. 2 power generation units of the Harbin power plant, the Harbin-Mudanjiang-Jiamusi microwave telecommunications project, the transformation project of the Qiqihar brewery, the 30,000-ton plasticizer project of the no. 4 Harbin chemical works, the Nenjiang-Heihe local railway project, the 10,000-ton polyvinyl chloride project of the Qiqihar electrochemical plant and the 10,000-ton polyvinyl chloride project of the Jiamusi chemical works; accelerate the construction rate of 23 projects, and strive to start constructing 9 projects with state approval. We should carefully organize efforts to strengthen management and guarantee that these projects will be commissioned on schedule.

We should also strictly control the inflation of consumption funds, and maintain a relative level corresponding to the development of production. We should control the total amount of funds according to plan, forbid arbitrary issuance of funds and articles, and prevent arbitrary

raising of the standards for giving subsidies and allowances. It is necessary to strenuously curtail group purchasing power and resolutely check the unhealthy trend of high consumption of institutions. State organs at all levels should take the lead in checking the workstyle of pursuing comfort, extravagance, and waste; educate and lead the broad masses of people to correctly understand the national and provincial conditions; rationally make arrangements for consumption; and end the situation of overspending consumption funds.

We should strictly control financial expenditures, and strive to control financial expenditures within our financial capacity. By no means should we set a deficit budget and anticipate our income. We should strive to reduce all expenditures that can be reduced, lay emphasis in controlling expenditures in capital construction and all administrative funds, and actively reduce meeting funds and funds for business trips. At the same time, we should also strengthen consolidation and management over all kinds of subsidies, strengthen supervision and auditing over financial affairs and taxes, strictly observe financial and economic discipline, resolutely and successfully carry out general financial inspection, and resolutely check arbitrary spending. Government organs at all levels should take the lead in fostering the habit of building the country industriously, make careful calculations, keep expenditures within the limits of income, and make preparations for spending tightly for several years running.

D. We Should Actively Develop the Various Undertakings of Science and Technology, Education, Culture and Art, Sports and Public Health.

Progress and prosperity of various social undertakings are an important aspect of coordinated economic and social development. Governments at various levels should continue to adhere to the guiding ideology of developing economic construction and social undertakings simultaneously; intensify the reforms of the structures of science and technology, education, culture and art, sports, public health and press; and facilitate the development of various undertakings.

Scientific and technological work should be carried out by focusing on the major areas of the province's economic development. In agriculture, we should continue to conduct well joint research on the high yields of six major crops, and widely introduce and apply new technology and achievements. In industry, we should organize well the six major trades to develop coordinated and complete sets of technology, and tackle scientific and technical problems in the development of serial products. We should greatly popularize new energy-conserving technology, and facilitate the development and production of new products. It is planned that 500 kinds of new products will be produced on a trial basis this year.

Through scientific and technological progress, we should strive to improve economic results so that scientific and technological progress will play an ever greater role in economic growth.

In carrying out education work, we should adhere to the principle of making education serve socialist modernization; bring into better balance the internal and external relations in education; and rationalize the development scale, speed, structure and distribution of the educational institutions of various categories at various levels so as to achieve better overall results. The direction of schools run in rural areas should be readjusted on a fairly large scale, and their major purpose of enabling their students to enter schools of a higher grade should be changed into one of training talented people for local use while not neglecting those students entering schools of a higher grade, so that more middle school graduates can possess the basic skills for the production of various trades. We should greatly develop urban vocational and technical education, reform higher education, and intensify the continued on-the-job education of laborers. Schools of various categories at various levels should strive to improve their school facilities, reform their education methods, upgrade their education quality, and cultivate personnel comprehensively qualified in the moral, intellectual, physical, aesthetic and labor development. To comply with the needs in education development, we should intensify the training of teachers, stabilize the contingents of teachers, improve their political consciousness and professional competence, continue to improve their living and work conditions, and arouse their initiative.

In cultural and art work, we should strengthen construction of basic cultural facilities with an aim to making the production of art work flourish and the people's cultural life vigorous, further improve the mass cultural network of the province, raise the quality of literary and art workers, and promote the continuous development of literary and art undertakings. In sports work, we should pay attention to carrying out and popularizing mass sports activities, and improving the people's health, and then strive to improve the skills of specialized athletes, continue to maintain our province's superiority in ice- and snow-sports, strive to create good results in summer sports events, and actively make good preparations for the seventh national winter games to be held in our province in 1991. Public health departments should further improve the professional skills and professional ethics of their medical personnel; improve their service; develop public health with the focus on disease prevention, health care, rural public health, and medical education; and enable the people throughout the province to improve their health. The overall incidence of the 19 officially recognized contagious diseases should be kept within 400 per hundred thousand in 1988, the incidence of tuberculosis should be kept within 590 per hundred thousand, and infant mortality should be kept within 34 per thousand. In family planning, we should uphold the principle of [text unclear] birth policy, in the family

planning work network focusing on rural areas, strengthen scientific management of it, exercise strict control, resolutely avoid the phenomena in which family planning work is relaxed or is allowed to take its natural course, and make sure that the total population control plan for the Seventh 5-Year Plan period is fulfilled.

By broadcasts, television, newspaper and other (?types of) programs on professional work and their facilities, exerting the spirit of reform and opening up more the mind and public opinion, publicize the party and government principles and policies in a timely and accurate manner, reflect the democratic voice of economic construction.

E. We should continue to strengthen the building of democracy and the legal system, and consolidate and develop the excellent situation of stability and unity.

Democracy and the legal system constitute one of the basic goals of socialism. To further stabilize the economy and deepen reform, we must have a stable and united social environment. Such an environment must be formed by carrying forward democracy and perfecting the legal system.

We should further carry forward the socialist democracy. The 13th party congress definitely set forth the task of building socialist democratic politics. To fulfill this task, we must give first priority to penetratingly conducting the education on democratic politics among the whole people, state office cadres at all levels in particular, in a bid to strengthen their sense of democracy; thoroughly eliminate feudalism, capitalism, and the influence from leftist ideas; and wipe out the conditions of abusing one's powers and depending on the feudal and patriarchal way to deal with the people. On this basis, we should devote ourselves to perfecting and implementing the various basic systems on democratic politics. Governments at all levels should truly accept the supervision from the people's congresses and people's deputies, as well as the supervision from the whole people; and should constantly perfect the democratic administration, the democratic supervision, and the democratic election, in order to institutionalize the democratic activities at the grassroots level. Governments at all levels should frequently conduct consultations and dialogues with CPPCC organizations, people of all social strata, and personages on all walks of life. By so doing, the people will understand the government work more clearly; will understand, discuss, and participate in political affairs; will actually become the masters of their own affairs; and will enjoy the democratic rights entrusted to them by the Constitution.

We should constantly perfect the socialist legal system in order to orient the political, economic, social and other activities onto the path of the legal system. We should actually attain the goals of having laws addressing every aspect of activities, abiding strictly by the laws, enforcing laws to the letter, and punishing law breakers. We should

continue to conduct education on general legal knowledge in order to strengthen the sense of abiding by laws and cultivate the habit of handling affairs according to law among the whole people, in particular among cadres at all levels. We should accelerate the pace of economic and administrative legislation; further grasp the drawing-up and formulation of various key rules and regulations in line with the demands of reform and construction, and conscientiously organize the enforcement of various laws, rules and regulations to gradually attain the goal of managing and conducting the government work according to laws. We should also establish a system of investigating and supervising the law enforcement by government organs and personnel, and strive to expeditiously correct and deal with problems once they are discovered. We should continue to launch the campaign of dealing blows to serious criminal offences, and strengthen the comprehensive administration over the social order. We should vigorously mediate disputes among the people, and strive to reduce the instable factors in society. We should continue to perfect the lawyer and notarization systems in a bid to ensure the correct enforcement of laws. Governments at all levels should strengthen their leadership over the public security and judicial work, and strive to improve their equipment and conditions. We should strengthen the building of the ranks of public security and judicial cadres and policemen, improve their expertise, rectify discipline, straighten out workstyle, and foster a cadre and policemen contingent trusted by the people.

We should further strengthen the building of the political power at the grassroots level, and strive to build township governments into political power organizations which maintain close ties with the masses, wholeheartedly serve the people, and are able to effectively lead and manage the affairs of their own administrative divisions. We should strengthen the guidance over the work of the villagers' committees, pay attention to the organizational and institutional construction, and give full play to their functional role as a mass autonomous organization.

We should further strengthen the unity between the army and the government and between the army and civilians, strengthen the unity among all nationalities, pay greater attention to handling the affairs concerning nationals living abroad, and strengthen the work directed at Taiwan compatriots. We should unite all forces and mobilize all positive factors to work hard and offer advices for the development and revitalization of Heilongjiang.

F. We Should Improve Government Work and Upgrade Work Efficiency.

Along with conducting reform in political systems, separating party functions from the government, and changing government functions, tasks undertaken by the governments at all levels have become more onerous and will incur a series of changes in work content and methods. They should not only firmly grasp economic work, but also successfully launch the campaign to build

the spiritual civilization. Therefore, government personnel at all levels must fully understand this point, enhance their studies, and upgrade their quality to meet the need of changes in this regard as soon as possible.

Efforts to make policy decisions in a democratic and scientific way represent a basic demand and condition in upgrading the standard of leadership and ensuring correct policy decisions during the new historic period. Governments at all levels should formulate the procedure for making correct policy decisions. In making policy decisions that concern important questions of economic and social development, they must vigorously avoid making policy decisions blindly and at will by deeply carrying out investigation and study, extensively soliciting opinions from the people, and repeatedly conducting scientific appraisals. Attention should be paid to enhancing the information service and advisory work and bringing into play the "brain trust" and assistantcy role of departments in charge of work in science and technology, investigation and study, and comprehensive coordination so as to reduce or prevent mistakes in making policy decisions. Efforts should be made to resolutely overcome bureaucracy to upgrade work efficiency. Along with conducting reform and opening to the outside world, abominable phenomena of the past, such as establishing excessively high targets, issuing confused orders due to subjectivism, resorting to coercion and abuse of command, and seeking uniformity in doing everything, have been reduced on a large scale. However, they have not completely disappeared. Under the new situation, some localities still pursue the abominable practices of being divorced from the masses, standing high above the masses, and indulging in empty talk or talking big. Problems of shifting responsibility onto others in dealing with troubles and of not being responsible for work still exist in some localities, which also often results in the corrosive phenomena of seeking personal gains by taking advantage of power, violating the law while enforcing it, and embezzling. All of these problems have harmed the relationship between the government and the people, damaged the prestige of the people's government, and adversely influenced the efficiency of government work. Over the course of conducting reform and opening to the outside world, we must enhance supervisory work, carry out supervision and inspection of the state apparatus and working personnel at all levels, and resolutely launch struggle against bureaucracy and various corrosive phenomena to straighten out ideology and workstyle, to strictly and accurately enforce administrative regulations and disciplines, and to build the people's governments at all levels into a state administrative apparatus that is upright and honest in performing official duties, that has achieved high work efficiency, and that has served the people wholeheartedly. Meanwhile, efforts should be made to continuously correct malpractices that crop up in various industries and trades, to conduct education on professional ethics among staff members and workers on various fronts, and to foster fine social morale.

By displaying the spirit of being highly responsible to the country and the people, governments at all levels should earnestly draw lessons from the fire disaster of Daxinganling Prefecture, do a good job in unswervingly grasping safety work, enforce the leadership responsibility system, and carry out regular mass inspections of safety work. By emphasizing fire and explosion prevention and traffic and production safety work, they should try in the utmost to reduce or prevent various serious incidents from occurring to ensure the safety of state property and people's lives.

In line with arrangements with the CPC Central Committee and the State Council, we will improve governmental organs and readjust the cadre structure this year. We will treat the work of separating party affairs from the government and of changing governmental functions as the central content in conducting reform. We will also divide the functions of economic and social management and of self-service and enhance, weaken, and transfer functions as appropriate. By proceeding from this general target, we should earnestly carry out investigation and study, formulate plans for conducting reforms, and fully prepare for this work. Before the transfer of organ personnel, all departments should maintain the normal order of work and all working personnel should best do their duties and concentrate their efforts on succeeding in work.

Fellow deputies: Current international and domestic situations have provided a most favorable climate for our province to pursue socialist modernization. Guided by the basic line of the initial stage of socialism adopted at the 13th CPC Congress, and under the correct leadership of the CPC Central Committee, the State Council, and the provincial party committee, let us mobilize the people of various nationalities throughout the province to continuously deepen reform, to arduously do pioneering work, and to strive to make the province prosperous.

01784

Liaoning Procuratorial Work Report Delivered
SK010914 Shenyang LIAONING RIBAO in Chinese
No 1, 31 Jan 88 p 2

[Text] On the morning of 24 January, Hu Qicheng, chief procurator of the provincial Peoples Procuratorate, delivered a work report for consideration at the first session of the seventh provincial People's Congress.

In his report, Hu Qicheng emphatically described the following five major tasks grasped by procuratorial organs throughout the province in 1987:

1. Activities of dealing strict blows to serious crimes were carried out by implementing the principle of imposing heavy punishment on criminals in a timely manner. Over the past year, procuratorates throughout the province have arrested 20,168 criminals in line with requests

submitted by the public security organs. Of these criminals, 16,428 have been taken into custody through examination and approval, 12,849 cases have been accepted and submitted for the approval of bringing a suit, and 11,055 cases have been approved through examination for bringing a suit.

Procuratorial organs at all levels throughout the province have strictly performed their duties of carrying out supervision over the operation of investigating and trying cases and have earnestly reexamined or dealt with cases submitted for reexamination by the public security organs. They have lodged appeals in line with the law for the few cases whose verdicts have been deemed wrong. They have performed their supervisory duties over illegal acts committed by public security and judicial officers in the activities of investigation and trials and have safeguarded the correct enforcement of the state law.

In order to realize the steady stability of social peace, procuratorates at all levels have submitted 1,035 suggestions for inspection of problems and loopholes arising in some units; they have helped these units to improve their regulations and establish systems to eliminate the hidden trouble and enhance prevention work. They have conducted education of 629 offenders whose cases are exempted from bringing a suit and enabled them to mend their ways. They have established a network charged with consolidating public security work in a comprehensive way among 184 units and, combined with the party organizations of these units, have mutually built the civilized units. They have basically maintained the stability of social peace thanks to the efforts made by various social circles and by grasping simultaneously the tasks of "dealing blows, carrying out prevention work, conducting education and reforms and of building civilized units".

2. Criminal elements who had seriously damaged the economy were strictly punished by upholding the principle of dealing strict blows to crimes. Over the past year, procuratorates at all levels throughout the province have accepted 1,625 cases of various economic crimes, such as embezzlement, bribes, and tax evasion. They have decided to investigate 847 of them, of which 194 are major and serious cases. At the end of 1987, they wound up their examination of 809 cases, accounting for 95.5 percent of all the cases they accepted. They have recovered 10.48 million yuan of economic losses for the state and collectives through the handling of these cases. In investigating and dealing with economic crimes, they have chiefly grasped the following four tasks: 1) Efforts have been made to investigate and deal with the major or serious cases. 2) Efforts have been made to deal with crimes in a systematic manner and to have the work of dealing with the cases in the banking departments promote the progress of improving the business and management of banks and credit cooperatives and of preventing crimes. 3) Efforts have been made to launch a struggle against crimes in specific fields and concentrate efforts on investigating and dealing with a large number

of crimes in tax evasion. 4) Efforts have been made to enhance the study of law and policies in order to upgrade the quality of dealing with cases.

People's procuratorates at all levels have also paid attention to recovering illegal funds and articles and striving to make up the economic losses caused by economic crimes. They have helped units that are dealing with criminal cases to establish or improve their rules and regulations and their systems, to block their loopholes, and to improve their management. They have enabled 55 enterprises which have faced bankruptcy to restore their production, and some of them have entered the advanced ranks. They have rendered legal services for enterprises and protected reformers and entrepreneurs. Over the past year, they have carried out legal advisory operations on more than 600 cases and dealt with more than 300 practical problems.

3. While dealing blows to serious criminal and economic cases, various kinds of supervisory work were actively carried out. Over the past year, people's procuratorates at all levels have enhanced supervisory work over the implementation of legal systems and have accepted 1,688 cases of violating the legal systems. Of these cases, they have decided to investigate 386 cases, and 91 percent of the cases were completed. In dealing with the cases, they have emphatically handled those of neglecting duties and of serious accidents caused by the shifting of responsibility; those of illegal control and arrest by infringing on the democratic and personal rights of citizens, of seeking personal gain by violating the law, of extorting confessions or believing such confessions, and of presenting framed-up charges; and those of destroying elections, of infringing the citizens' freedom of communication, and of revealing state secrets. All of these cases have been strictly dealt with in line with the law.

In conducting supervisory work, people's procuratorates have carried out their work by staying at the supervision offices and the units of the Armed Police Forces. Over the past year, they have carried out supervisory work over 6,495 cases and earnestly accepted the cases on the charges and complaints given by the detainees and their family members. Thus, they have protected the legal rights and interests of the detainees and promoted the progress of reformatory work.

They have received 25,544 letters and visits from the people in an earnest manner in conducting the supervisory work over the charges and complaints and have basically dealt one by one with some of the letters and visits.

4. The construction of professional affairs and personnel's rank in the procuratorial organs was strengthened. In building professional affairs, we have chiefly grasped the following two tasks: First, efforts have been made to carry out the pilot work of trying cases concerning civil affairs. Second, efforts have been made to enhance the building of technology for trying criminal cases.

In building personnel's rank, we have actively conducted education on professional ethics, discipline, responsibility, and skill and have launched extensive activities of striving to "be outstanding public prosecutors and investigators and able personnel in dealing with cases" and to build "civilized windows," thus bringing about a large number of advanced workers who are upright in enforcing the law, who can boldly combat the corrosive influence and malpractices, and who are able to wage an arduous struggle.

People's procuratorates at all levels have also firmly grasped the work of culture and education and the training work of professional affairs among the cadres and policemen. At present, one-third of the cadres and policemen throughout the province have obtained a college-level or higher education. The province has further improved the structure of culture and profession of procuratorial personnel and upgraded the quality of cadres and policemen.

In his report, He Qicheng pointed out: Over the past year, although the province has scored new achievements in procuratorial work, there are still some problems. In conducting supervisory work, we have not been conscientious enough in conducting reforms and opening to the outside world to promote the development of productive forces. In investigating or dealing with economic crimes, we have often worried about punishing too many economic criminals and achieving less economic development while adopting relative measures in helping the units and the departments which are dealing with economic crimes, and of possibly arresting the wrong person and encountering wrong charges. All this has exerted a bad influence. In performing the supervisory duty, there are still weak links, and the phenomena of not strictly enforcing the law still exists in some aspects.

In concluding his report, He Qicheng described the future tasks of procuratorial work. Efforts should be made to continuously implement the principle of dealing strict blows to serious criminal activities and to economic crimes that have seriously damaged the economy. We should bring into full play the functional role of the procuratorial organs in conducting legal supervision, actively carry out various kinds of supervisory work, and safeguard the correctly unified enforcement of the Constitution and the law. Efforts should be made to enforce the law more strictly and to improve the work of enforcing the law so as to make achievements in not neglecting duty and overstepping rights, in abiding by the law as long as it exists, in strictly enforcing the law, and in dealing with cases as long as they have violated the law. We should also actively explore reform in procuratorial work, further upgrade the quality of procuratorial personnel, and consciously accept the leadership of the party committees and the supervision of the People's Congress Standing Committees. Efforts should be made to accept the inspection conducted by the deputies, to modestly solicit opinions from them, to establish the

system of holding dialogues with various social circles, to better perform the duties given by law to the procuratorial organs, and to make new contributions to safeguarding the programs of carrying out construction and reforms and opening to the outside world.

Liaoning Court Report to Congress Session

SK050413 Shenyang LIAONING RIBAO in Chinese
31 Jan 88 p 2

[Text] On the morning of 24 January, Zhang Huanwen, president of the provincial Higher People's Court, delivered a work report at the first session of the seventh provincial People's Congress for consideration.

In his report, Zhang Huanwen specifically described the following work achievements scored by the courts at all levels over the past year:

1. Criminal elements who had brought about harm to social peace and damage to the economy were strictly punished. In 1987 the courts accepted 16,186 criminal cases of first trial, a 5.2 percent decrease over the 1986 figure. In dealing with the new situation and problems cropping up in public security, the people's courts at all levels throughout the province, with the close cooperation of the organs of public security and procuratorate, launched the struggle against special crimes step by step and in a planned manner. For example, in order to maintain the trend of "dealing strict blows to crimes," localities throughout the province held open trials on a larger scale in 1987 to emphatically deal with a large number of criminal cases of murder, robbery, rape, and widespread theft.

In carrying out justice, the people's courts at all levels have achieved in discovering clear facts and evidences, giving adequate punishment and imprisonment to criminals, and in following legal procedures. Particularly in trying cases concerning the death penalty, they have not only dealt strict blows without a lenient attitude, but also carefully and adequately handled the cases and punished them in line with the law in order to ensure the quality of work in handling cases and to ensure that no one is wrongly executed. In 1987 the people's courts at all levels tried 3,381 economic cases of first trial and punished 4,142 economic offenders. Not only did they imprison them but also recovered 37.91 million yuan of economic losses, including fines, according to the provisions of the state law.

2. The administration of justice over cases of civil, economic, and administrative affairs was strengthened.

In 1987 the people's courts at all levels throughout the province vigorously enhanced the administration of justice concerning civil and economic cases and tried them strictly in line with the law. According to statistics, they tried and passed sentences on 60,676 civil cases of various kinds, a 17.7 percent increase over the 1986 figure. They tried and passed sentences on 11,687 cases

of economic disputes, a 21.8 percent increase over the 1986 figure. According to incomplete statistics, the state issued more than 500 administrative regulations and rules from 1979 to 1987. There are 89 courts throughout the province, which have established branch courts and preparatory groups to deal with administrative cases. In 1987 these branch courts and groups handled a large number of administrative cases concerning the violation of laws on social peace, food sanitation, environment protection, land occupation, and forest protection.

3. In conducting the administration of justice, problems left from the past were dealt with in line with the principle of seeking truth from facts.

According to statistics, the people's courts at all levels throughout the province, through examination, decided to accept 10,961 cases for retrial. At present, they have handled 10,839 cases which account for 98.9 percent of the total. Of these cases that have been handled, they reversed the verdicts in 3,723 cases. This work was basically completed before the convocation of the 13th CPC Congress in October 1987, thus, exerting a fine influence on politics and fine social benefits.

4. The building of the people's courts was further enhanced by stressing the building at grassroots levels. In 1987 the province further enhanced the building of people's courts. First, the people's courts in counties and suburban districts simplified their personnel at higher levels and reinforced those at lower levels and employed a number of young presiding judges, judicial officers, and college graduates. Second, the province made reasonable arrangements for establishing courts and established 73 new people's courts in rural counties and suburban districts. It also readjusted more than 50 courts which had an excessively large jurisdiction and in an improper position. At present, the province has set up a people's court among two or three townships or towns with an average population of 50,000 people, thus relieving the people's difficulties in bringing a lawsuit. Third, the self-improvement of people's courts was strengthened. The provincial Higher People's Court and the intermediate people's courts of cities have set up special organs to manage court work. The presidents in charge of court work of people's courts at grassroots levels should spend two thirds of their time each year on conducting inspection and guidance over court work. Since 1987, they have launched the emulation drive of rendering fine-quality services, thus 75 courts have come out as advanced in this regard. Over the past year, the people's courts have also helped the judicial departments consolidate or readjust 3,514 organizations and train or readjust 42,516 cadres. They dealt with more than 35,000 cases of various kinds and 335,533 disputes cropping up in the operation of guiding and readjusting the organizations in the past year. They have also prevented more than 2,000 cases of murder and harm from happening, thus promoting the situation of stability and unity.

5. The task of actively standardizing court work was carried out and the standard of the administration of justice was upgraded in an overall way. Except for 1,756 cadres who have had college education, 2,095 cadres in the people's courts throughout the province have attended professional classes at the college level and will graduate from these classes by the end of 1988. More than 56 percent of the cadres in the people's courts throughout the province will reach the college level of legal profession.

In trying cases, by proceeding from reality, we have separately formulated the standards for trying cases concerning the death penalty and cases concerning civil, economic, and administrative affairs; enabled the activities of law enforcement to be systematized or standardized; and have ensured strict law enforcement by improving the procedures and system of filing lawsuits. The people's courts at all levels throughout the province have also launched the emulation drive to hold the demonstration of open trials and carried out the activities of professional training, scoring better results in this regard.

In order to steadily upgrade the standard of the administration of justice, the people's courts at all levels have upheld the principle of appraising and inspecting the quality of dealing with the cases, which has played an active role in upgrading the standard of the administration of justice.

In his report, Zhang Huanwen stated: Over the past year, the province has scored certain achievements in court work. However, the work still cannot meet the demands of the development in the situation in the following major aspects: Leading comrades in the people's courts have been short of carrying out deep investigation and study among the new situations and problems cropping up in reforms. The handling of a few cases concerning civil and economic affairs has not been carried out because of the small number and weak quality of personnel in charge of the administration of justice and of a large-scale increase in the cases accepted by the courts, and the people's difficulties in bringing a lawsuit have still remained as a current prominent problem. In trying criminal cases, punishment and imprisonment imposed on criminals have not been adequate. The decisions made by the courts concerning economic and civil cases have not been implemented in a timely manner, thus, the legal rights and interests of the citizens and legal persons have not been effectively protected.

In concluding his report, Zhang Huanwen stated: During the new year, the people's courts at all levels throughout the province, in line with the central link of strictly enforcing the law and upgrading in an overall way the standard of the administration of justice, should deepen reforms; vigorously do a good job in conducting various work in the administration of justice; and effectively

bring into play the functional role of the people's courts in "protecting the people, dealing blows to enemies, punishing criminals, and serving the program of building the four modernizations".

We should apply the spirit of the 13th CPC Congress to unify the thinking of cadres and policemen and to direct court work. By no means should we relax our efforts to deal strict blows to crimes which have brought serious damage to social peace and the economy. Efforts should be made to continuously implement the general rules of the civil law and to vigorously enhance the administration of justice in dealing with the cases of economic, civil, and administrative affairs and the building of the people's courts. We should vigorously improve the activities of law enforcement; and actively explore the style of trying cases, which is suitable to our country's conditions, and upgrade the social benefit in the administration of justice on the premise of strictly enforcing the law.

FINANCE, BANKING

Jialing Conversion to Joint-Stock Group Viewed
HK010151 Beijing JINGJI GUANLI in Chinese
No 1, 1988 pp 11-14

[Article by Liu Jipeng [0491 4767 7720] and Hu Yuanzhi [5170 0337 4160]: "From a Conglomerate to A Joint-stock Group—edited by Pan Shecheng [3382 6615 3387]]

[Text] The Jialing group is well-known throughout the country for its output of motor cycle products. Recently the state's relevant department has sanctioned the formal establishment of the Jialing Industrial Joint-stock Company (Group), Limited, and its separate listing in the state plan. The birth of the Jialing Group not only signifies its taking a new step forward in its self renovation and development but also, with its being the first stock-holding group in China, carries an important significance in deepening lateral economic combination, probing into plans of reform of the ownership system and developing new forms of industrial organizations in our country, and so forth.

I. History's Inevitability

The Jialing motorcycles conglomerate was organized and formed in 1980. By the end of 1986, the main component units of the conglomerate had grown to 12 and in its outer ring there were over 300 cooperative and coordinating plants. In these 6 years, the Jialing conglomerate has provided many experiences in developing new products through military-civilian combination and foreign cooperation and in internally carrying out the accounting forms for second distribution and has become a model of lateral economic combination in our country.

Following deepening of the reform and combination, the old organizational form of the combination body has daily revealed many contradictions, unsuited to the development of the "Jialing" enterprise. First, the conglomerate lacked prestigious management methods. The constituents of the Jialing combine belonged to different departments and regions in subordination and under the conditions of there being no change in the subordinate relations, they were still subordinate to the leadership of the original administrative departments in charge. On the other hand the principle governing decision-making in a conglomerate should be democratic consultation and if departments and regions should intervene administratively the conglomerate would frequently be found to be unable to reach a decision in the event of differences in opinions and even though decisions could be reached they would not be carried out. Facts have shown that unless a conglomerate can progress and develop into an economic entity the dissenting trend cannot be eliminated. Second, the conglomerate lacked common development funds. Under the conditions of there being no change in plan and in the channels of funds, the departments in charge of the various enterprises under the combination body were willing to invest only in their subordinate enterprises and unwilling to invest in the conglomerate. This demarcation rendered it extremely difficult to centralise for use the self-owned development funds of the various enterprises of the conglomerate. It directly hampered the conglomerate in heading and guiding the technical transformation of equipment and the formation of a coordinated production capacity for the units as a whole. Third, the conglomerate's production capacity, particularly its technical strength, could not be put to use in a unified manner and hence the strong points of its production elements could not be duly manifested. The Jialing conglomerate's constituent enterprises each had its strong points but because the various enterprises differed from each other in their ownership system and in their subordinate relations, their technical developing strength could not be centralized for use and their production equipment could not be used in a unified manner. Hence, it met with difficulties in further developing new products and in carrying out large-scale production and specialized cooperation.

The above shows that a loosely organized conglomerate under the precondition of the past "three unchanges," cannot be suited to the new situation of the reform and of the enterprise' lateral economic combination. If "Jialing" contemplates development then it must effect transition to a higher organization form of combination. This will require: First, the combination content should achieve a transition from the past cooperation in production and technology to the merging of funds and properties; and second, to achieve a combination of assets between enterprises owned by the whole people, enterprises owned by the collectives, and enterprises owned by the whole people but under different subordinate relations, then it is necessary to break the framework of the "three unchanges" and seek a new method of income distribution and deliveries of taxes and profits to

the treasury. The transition of the conglomerate to the organizational stature of an enterprise group is an historical inevitability.

II Building an Enterprise Group by Means of the Stock and Share System

The stock and share system is the natural trend, under the conditions of a commodity economy, of deepening the development of economic combinations and is the best road for realizing "Jialing's" transition from a conglomerate to an enterprise group.

From the development of the Jialing group, it will be very useful to study the various problems concerning transition from a conglomerate to an enterprise group, analysis of the special features of an enterprise group, differences between an enterprise group and a conglomerate and what methods to use in building an enterprise group. This is because these problems are theoretical ones on deepening the reform and perfecting the enterprise's management mechanism and also practical ones enterprises encountered in their current economic combinations. If these problems are not solved, then the past "six unifications" would be repeated or the enterprise group would become a company of an administrative nature.

Seen from the guidance thinking and considerations of the structural pattern in the building of enterprise groups, the organisational structure of the Jialing group has two special features. One of them is that in the past the conglomerates used the contract and the agreement as the binding cord for the combination and this was the cause of the looseness of a conglomerate. To realise the combination of body and soul, funds and properties should be used as the binding cord for combination and the stock and share system must be resorted to so as to definitely establish the separate responsibility, power, and interest relations of the constituents of the group. The second is that an enterprise group should be formed by many enterprise legal entities, but the principal body of the group is not a legal entity, through the combination of assets and various kinds of shareholding and share controlling relations, a number of mother companies, branch or child companies and related companies are formed internally in the group, forming the enterprise group into an economic combined structure with many layers or strata. By means of shareholding and share-controlling the mother companies relatively control the production and management activities of the branch companies and related companies and thereby ensure unanimity in the operations of the entire group. However, the mother companies, child companies and related companies are all independent legal entities in law. They separately are solely responsible for their own profits and losses and independently bear the civil responsibilities. Thus the enterprise group itself, as the combination form of many enterprise legal entities, should not redundantly possess the status of a legal person. This special feature of an enterprise group can

maintain the unified nature of the enterprise group and also retain the independent nature of the constituent members. In addition, it differentiates an enterprise group from the current companies of a "six unified" enterprise nature and also from certain so-called "two-level legal entity" companies of an administrative nature.

Based on the above-mentioned special features of the property relations and legal status of an enterprise group and the conditions of the various enterprises of the Jialing conglomerate, the organization of the Jialing shareholding enterprise group is divided into four separate strata.

First stratum: the mother company; it is the substance or entity stratum of the enterprise group. It is formed by the state-run Jialing machinery plant, Chongqing building machinery plant, Chongqing cinema machine plant, Chongqing spring-making plant and Chongqing Jialing motorcycle accessories general plant on the basis of combining the enterprises and merging their funds. After amalgamation, the various constituent enterprises lost their status as legal entities and the company became the legal entity. Internally in the other company or principal company a number of branch companies or branch plants may be formed, but the branch companies or branch plants are not legal entities and can only take part in business activities on the strength of authority endowed by the principal company. Internal accounting in the company is done separately by the two levels, each computing its own profits or losses.

Second stratum: the tight stratum or share-controlling stratum of the enterprise group. It is formed by a number of branch companies whose shares are controlled by the mother company. Controlling of shares generally refers to controlling over 50 percent of the share rights of the enterprise and may also be brought about through contractual relations which enable the full control of the enterprise's operation and management right. The difference between a child company and a branch company is that the former is an independent legal entity. Hence, compared with a branch company a child company is more independent in character. Enterprises whose subordinates are in faraway places and which do not like the mother company to exercise too tight a control, should adopt the child company form.

Third stratum: semi-tight stratum or share-holding stratum of enterprise group. It is formed by a number of enterprise business units and related companies which have shareholding or share-participating relations with the mother company, including backbone production enterprises cooperating and coordinating with the company, commercial enterprises and agency-merchants abroad, financial enterprises and scientific research units engaging in technological development. Share-holding relations in general refer to the mother company not yet holding or controlling 50 percent of the shares of its subordinate enterprises and hence still unable to exert

full control over them but able, through shareholding and share participating to influence to a certain extent their business activities. Thus related companies enjoy greater independence than child companies. Many of the enterprises in the original conglomerate can be incorporated into this stratum.

Fourth stratum: loose stratum of enterprise group, that is, the contractual combination stratum. This includes those enterprises which by contract or agreement maintain a long-term cooperation and coordination with the company. Enterprises in this stratum have no share-right relations or investment relations with the company but may develop relations of creditor's rights or funds-merging relations. This stratum is more or less like the organizational form of an ordinary loose combination. The independence character of the enterprises is stronger than those in the several strata mentioned above. At present the over 300 enterprises cooperating and coordinating with the Jialing group may be included in this stratum.

The meaning of Jialing enterprise group's division into these four strata is 1) On the basis of the property relations or share right relations of the enterprises, it gives the concept of the enterprise group's substance stratum, tight stratum, semi-tight stratum and loose stratum with a relatively scientific significance and content; 2) it clearly determines the legal position and extent of decision-making in management of the enterprises in the various strata comprising the enterprise group; 3) this kind of demarcation provides an element of flexibility of choice to enterprise wishing to join the Jialing group relative to the particular stratum they choose to join; they may choose to give up their legal entity status and join the first stratum or prefer to retain their legal entity status and join one of the other strata; and 4) following the development in fund-liaison and cooperative relations, enterprises in the group may move from a relatively lower stratum to a higher stratum, such as changing from holding shares to controlling shares or from controlling shares to amalgamation; such a transition signifies the strengthening of the enterprise's coagulating power and the extension of the businesses of the group.

III Method of Changing into Shares the Fund Holdings of an Enterprise

In the development of the lateral economic combination of enterprises in our country, the great majority of the conglomerates and enterprise groups come into being through transforming into shares the increased amounts of fund holdings, that is, the nucleus enterprise continuously employs its newly increased profits to invest in other enterprises thus forming share-controlling and shareholding relations. Due to this method being limited by the amount of funds of the nucleus enterprise, within a short period of time it is not possible to carry out investments exceeding the volume of fund holdings of

each and every member enterprise and hence the procedure of such a kind of share forming is extremely difficult. The Jialing group did not adopt this method. Rather, through copying the method of turning the enterprise's fund holdings into the form of shares, it discovered a new way of using the enterprise's existing assets to carry out share combination and organize a shareholding group.

Jialing group's method of forming shares out of the enterprise's fund-holdings is as follows: The enterprise's assets are divided into state-owned shares, publicly owned enterprise shares, enterprise collective shares and staff members' and workers' individual shares. State-owned shares refer to the shares converted from the net value of the effective and productive fixed assets of the state and from the state's appropriations of fixed circulating funds; their share rights belong to the state. Publicly owned enterprise shares refer to the shares converted from the net values of productive fixed assets purchased with the profit-retention funds by the enterprise owned by the whole people since the 3d Plenary Session of the 11th CPC Central Committee and from the enterprise's self-owned funds; their share rights belong to the state but the right of dividends and of their use belong to the enterprise. Enterprise collective shares refer to the shares converted from net value of the productive fixed assets of the collectively owned enterprises and from their circulating funds; their share right belongs to the collective ownership of the enterprise and cannot be distributed to individuals. Staff members' and workers' individual shares refer to the shares formed by the enterprise's staff members and workers by means of cash contributions; their share right belongs to the staff members and workers individually. Of these four kinds of shares the staff members' and workers' shares consist of newly invested funds while all the others consist of the balances or holdings of funds kept by the existing enterprises. When they are converted into shares they must undergo the relevant departments' renewed evaluation and acknowledgement. Through the conversion of the enterprise's assets into shares, first the ownership right of the enterprise is clarified, and whoever invests the funds will acquire the share ownership right. This lays the foundation for the merging of the assets and combination of the enterprises. Second, the responsibilities and interests of the enterprise's owners, that is, the shareholders are clarified; they hold limited responsibilities for the assets of the enterprises in which they invest and also equally enjoy the shareholders' decisionmaking power and the benefit rights. This provides protection to the rights and interests of the original owners of the enterprises in the combination process. Third, it definitely determines the independence of the properties of the enterprise legal entity. This is because the shareholders cannot retract from the shares they have subscribed to but can only transfer them to others' ownership and this type of transfer involves only changes in the shareholders and has no effect on the independent and integrated character of the properties of the enterprise legal entity. Fourth, separation of the ownership right and

management right is brought about. After the original owners (departments in charge) of the enterprises have become the enterprise's shareholders, they enjoy only the shareholders' indirect management power over the company and this will mitigate administrative intervention in the enterprise.

Regarding the unification of assets and the formation of controlling share and holding-share relations, what the Jialing group first did was solving the problem of the formation of the substance stratum of the group. At present, five enterprises have carried out the unification of assets. Of them, three are enterprises owned by the whole people (separately belong to the state machine building commission and Chongqing City) and two are collectively owned enterprises. These five enterprises have combined to form the China Jialing Industrial joint stock Company Limited. The owners (department in charge) of the original enterprises owned by the whole people have become the holders of the company's state-owned shares and the shares they separately owned are proportionate to the assets of the original enterprises at the time of merging. The publicly owned enterprise shares were simultaneously merged at the time of amalgamation of the enterprises owned by the whole people, and the company took over the unified control of the use right and dividend right of this portion of the assets. Similarly the enterprise collective shares were at the same time amalgamated at the amalgamation of the two collective enterprises and, with regard to their use and benefits, they came under the collective control of the whole body of workers of the company as did the publicly owned enterprise shares and no longer belonged to the original enterprise collective. By so doing, the composition of the share rights of the Jialing Industrial Joint-Stock Company Limited had two holders of state-owned shares (state machine building commission and Chongqing City), one holder of publicly owned enterprise shares, one holder of enterprise collective shares and over 10,000 individual holders of staff members' and workers' shares. Through the merging of the enterprises' assets and unification, the limits of the enterprise ownership system was broken and whole people ownership, collective ownership and staff members and workers ownership were merged into one body, forming a new form of a system of enterprise ownership. The demarcation lines in the enterprises' subordinate relations were also broken, the administrative subordinate relations between departments in charge and the enterprises were converted into share right relations, enterprises belonging to separate departments and regions were merged into one, and a new method of resolving the contradictions between departments and regions was discovered. Moreover, the restrictions arising from the lack of change in the channels of the enterprises' financial deliveries to the state were likewise broken, the confusion, complexities and non-standardized state in the financial delivery relations caused by the different ownership systems and subordinate relations of the original enterprises were displaced by the unified delivery of the enterprise legal entity's income tax and the declaration

of dividends, thus standardizing the distribution relations between the state and the enterprises.

After formation of the substance stratum or of the mother company, the problem of controlling the shares of the child companies must still be solved. The Jialing group adopted the method of transferring and exchanging of share rights to help the enterprise owner (department in charge) joining the share-controlling stratum to invest the whole or the great proportion of the assets of the enterprise in the Jialing mother company and to become a shareholder of the Jialing mother company. In turn, the Jialing mother company reinvested this portion of the assets, in the form of assets of the enterprise legal entity in the enterprise, became the enterprise's majority shareholder and thereby established the share-control relations. This enterprise was then turned into the child company of the Jialing Industrial Joint Stock Company Limited. By means of this method, although the original assets of the enterprise had been neither increased nor decreased, great changes had occurred in property right relations, distribution relations, and with regard to the enterprise's form of operation and management. After the owner of the original enterprise became a shareholder of the Jialing mother company, he could only enjoy the Jialing mother company's decisionmaking right and share dividends in the capacity of a shareholder, and became divorced from the original enterprise's subordinate relations and distribution relations. On the Jialing mother company's part, in its capacity as the biggest shareholder of the company and through share controlling relations, it came to control the child company's production and operation activities and became entitled to the dividends declared by the child company. Thus, by means of the transfer and exchange of share rights, readjusting anew the relations between the owner, mother company, and child company was Jialing's other creation in the formation of the enterprise group.

As for proceeding a step further to form the third stratum of the Jialing enterprise group and developing enterprises with shareholding and share-participating relations, the enforcement program was even more complicated than that for the preceding two strata. The method more or less similar to formation of the child company may be adopted, the working theme revolving around the amount of fund holdings of the enterprise concerned and, through the transfer or exchange of share rights, realising the holding of shares and participating in shares. Or, the method of increasing the amount of the capital funds may also be considered in which case the mother company, by means of investing its newly increased profits in a certain enterprise, acquires shareholding relations. The mother company can participate in the shares of other enterprises and alternatively other enterprises may participate in the shares of the mother company; or, the mother company may invest jointly with another enterprise in a new enterprise and the resulting jointly-invested enterprise will naturally become a related company within the Jialing group. As for which method is most suitable, the concrete conditions of the moment should help to decide.

IV Several Problems Awaiting Further Study and Perfection

1. Question of separate listing in the state plan. Separate listing of enterprise groups in the state budget is an important measure in the current reform of the state plan structure, but in the separate listing in the state plan, the multi-strata organizational structure of the Jialing group encounters an outstanding problem and this is the determination of the extent of the listing. The Jialing group is divided into four strata. Listing of all four of them will present the following problems: First, the third and fourth strata are not stable enough and, second, the group is too large in scale; if only the first stratum that is, the mother company, is listed, then it will be the separate listing of an enterprise and not a group. Then what should be the appropriate arrangement regarding the extent of the separate list? In our opinion, it would be relatively more appropriate to limit the listing to the first and second strata. Listing the mother company is of course out of the question. So far as the child company is concerned, the whole of its operation activities are under the control of the mother company and its plans are naturally formulated by the mother company and forward downward for execution. Hence, separate listing in the state plan of the mother company and of the child company is more appropriate.

2. Question of separation of tax and profit. Under the conditions of the share-holding system, the standardized distribution method adopted by the Jialing group is that, in the benefit distribution relations between itself and the state, taxes and profits flow in separate channels. The state, in its capacity as the general controller of the economy, collects the taxes and, in the capacity of owner, receives the profit dividends. Under the current conditions of the taxation system still not being changed and according to the basic principle of preserving the state's attained interests, the Jialing group temporarily pays to the state a tax at the income tax rate of 35 percent. The reduced income suffered by the state from the taxes is compensated by the income from profit dividends of the state shares. The after-tax distribution of profits, principally with reference to the allocation for the various kinds of sinking funds and distribution of the profits, is determined by the state as the big shareholder in company with the other categories of shareholders according to the enterprise's actual business conditions during the year. The significance of making tax and profit flow in separate channels lies in the conversion of the administration subordinate relations between the enterprise and the higher-level department in charge to economic share right relations. This realizes separating the government from enterprise functions and at the same time protects and ensures the income and revenues of the state.

3. Question of establishing an investment company. At present, the holder of the state-owned shares of the Jialing group is still represented by the original department in charge of state-owned enterprises. Since this department in charge now acts concurrently as owner of

the shares, economic regulator, and controller and administrator in charge, there is no way to manifest the principle of separating the owner's functions from the functions of the economic regulator and controller. We believe that one line of thought in coordination with the reform is the establishment of a department for managing the state's assets or an investment company, specially responsible for managing the state-owned assets of the enterprises and exercising the functions and power of shareholders of state-owned shares. The relations between the investment company and the enterprise cannot be the creditor and debtor relations, but should be the share right relations as a result of the investment, that is, after the investment company investing in the enterprise, this invested portion of funds forms the shares in the enterprise owned by the investment company and by means of the share rights therefrom the enterprise profit dividends are obtained. Seen from this angle, the functions of the investments are different from the bank's functions and they should not replace or continue the bank's lending functions. In addition, the state-owned investment company should not monopolize the investments in the industries and trades but should permit competition from many other investment companies, with whom and between them share rights can be freely transferred. The criteria for evaluating the performances of the investment company are the operation conditions, that is, the investment returns, of the enterprise invested in. By so doing, through the investment company the circulation of the state's productive funds can be expedited and we can forever maintain the maximizing of the benefits from state-owned funds and at the same time attain the objectives making the best disposal and allocation of resources and rationalizing the industrial structure.

MINERAL RESOURCES

Xinjiang's Rich Mineral Resources Attract Attention

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OVERSEAS EDITION in Chinese
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[Article by Bu Yuntong [0592 0061 1749]: "People Are Looking at Xinjiang's Mining Industry With New Respect"]

[Text] Secretary Song Hanliang [1345 3352 5328] of the Xinjiang Uygur Autonomous Regional Chinese Communist Party Committee, an expert in petroleum geology, said at a conference that to vitalize Xinjiang's economy we must depend first upon products of the land—wool, raisins, and Hami melons, and second upon subterranean petroleum and mineral resources.

Xinjiang's Three Treasures: Petroleum, Coal, and Gold

Xinjiang has a full complement of many kinds of mineral resources. Right now, Xinjiang possesses 121 of the 147 types of minerals known in China, with proven reserves

for 67 of them at 4,000 mineral-producing locations. Forty-six types of mineral products have been developed and put to use at over 300 mineral-producing locations. Xinjiang is number one in China for proven reserves of seven minerals—beryllium, muscovite, soda-nitre, feldspar, serpentine, pottery clay, and vermiculite—and is number one in the northeast for 18 other minerals. Over half of China's output and reserves of muscovite are located in Xinjiang. Vermiculite reserves in Xinjiang amount to 7 million tons, compared to only 1 million tons elsewhere. Turpan is the only region in China that produces soda-nitre. Xinjiang's Geology and Minerals Bureau says that China has an estimated one trillion tons of coal reserves, with more in Xinjiang than anywhere else. There is a veritable sea of coal under Urumqi.

Once, while inspecting Xinjiang, Zhao Ziyang called it a treasure land. Geomorphologically, Xinjiang consists of two basins sandwiched between three mountain ranges. It is called the land of three gold mountains and two pots of gold. In central Xinjiang, mineral deposits in the Tianshan Mountains contain coal, iron, uranium, and other minerals. In southern Xinjiang, the Kunlun mountains contain gemstones, jade, and copper. In northern Xinjiang, the Altay Mountains contain gold, copper, nickel, and other nonferrous metals. The Junggar and Tarim Basins, on the other hand, hold large petroleum reserves.

In the Monggol language, Altay Mountains means "Golden Mountains." As the saying goes, "There are 72 gullies in the Altay Mountains, and each one of them contains gold." In 1987 Xinjiang was classified as one of the major prospects for gold mineralization in China. In 1986 gold output in Xinjiang increased 132 times over 1980, and verified gold reserves grew more than 20-fold. In the next 4 years Xinjiang is planning to increase its annual gold output 3.5-fold.

A staffer in the Geology Office of Xinjiang's Geology and Minerals Bureau says that petroleum, coal, and gold comprise the main pillar of economic development in Xinjiang, and other nonferrous metals and nonmetallic mining products also play a predominant role. One-third of the iron ore in Xinjiang is high grade. Moreover, this ore is close to railroad lines and needs only to be transported a short distance. Xinjiang is one of China's major chromium-producing areas. Reserves of copper and nickel in Hami are second only to those in the Gansu nickel capital of Jinchuan. Salt reserves in southern Xinjiang exceed 100 billion tons, and there are extremely broad prospects for developing and utilizing gypsum, vermiculite, and asbestos. At the beginning of 1987 arsenium, strontium, and aluminum were first discovered at Hatu Shan in the Junggar Basin. After authorization by the International Commission on New Minerals and Minerals it was recognized that this was the second such discovery since the one made in the Federal Republic of Germany.

The Largest Prospecting Operations

Xinjiang's geologic minerals have already attracted widespread attention, and a comprehensive research project to accelerate verification of Xinjiang's mineral resources has been made one of the key S&T projects in China's Seventh 5-Year Plan (from 1986 through 1990). Under the coordination of more than 30 well-known Chinese specialists, this project has defined over 90 scientific research problems to be studied. It has become the largest geologic research project since the PRC was founded. Its primary responsibility is to thoroughly investigate Xinjiang's mineral resources and provide a scientific basis for transferring the focus of economic construction in China westward.

After more than a year of efforts, we have discovered three new metallogenic regions (belts), as follows: the Beilkuduk tin ore metallogenic belt, which is 140 kilometers long and 30 kilometers wide. It is formed from seven abnormal tin groups, with a total abnormal area covering 560 square kilometers. The average grade of tin is 0.521 percent, and the highest grade is 16.36 percent. Calculations indicate excellent prospects for this tin metallogenic belt.

The Wusutonggouhan copper pyrite metallogenic belt is currently demarcated at 240 km long and 10 to 12 km wide. Nine mineralized layers have been discovered, and the ore rock system is 140 meters thick overall. The ore body is generally several hundred to 1,000 or more meters long and 1 to 3 meters thick. The surface sulfur content measures 12 to 24 percent.

The Qian Luzi lead and zinc metallogenic belt is 7 kilometers long and 100 to 900 meters wide. There are 11 ore bodies at the surface and a single ore body is 30 to 150 meters long.

In addition, the many metallogenic belts along the southern rim of the Altay Mountains, the Karatunk copper and nickel metallogenic belt, and the Huangshan copper and nickel metallogenic belt expand our prospects for finding minerals.

The Possibility for Cooperation With the Outside World

In recent years Xinjiang's geologic minerals industry has made great strides in technological exchange and export trade. Since 1986 China has conducted talks with Japan and Australia on appraising, developing, and utilizing groundwater resources; exploring, opening up, and utilizing copper and zinc resources; conducting comprehensive studies of the geophysics of nonferrous metals; and other projects. We have also engaged in cooperative research with the U.S.' Stanford University on paleogeographic magnetism in northern Xinjiang, and we have investigated problems in deep geotectonics. Xinjiang has also participated with the U.S.' East-West Center in an economic strategy analysis of copper and nickel and

multi-mineral resources in Altay Prefecture. In addition, we have participated in an investigation of the U.S.S.R.'s system of geological management and the mineral resources concerned. We have also admitted geologists from France and New Zealand into this country to investigate geological minerals.

In recent years Xinjiang has been exporting processed gemstone, mirabilite, and petroleum products to more than 20 nations and regions. Altay is one of the world's four largest granite-crystal producing regions, and it is famous for its abundance of gold and gemstones. A gemstone company established here recently produces jade seals, Lanhai gemstones, Ziya Wu gemstones, and cymophane. The Altay Gemstone Company recently signed a 10 million yuan supply contract with the Bureau of Foreign Trade, and some of its products have already made their way onto the international market.

Some foreign industrialists say that Xinjiang is situated at the center of Eurasia, and has bountiful and varied resources, but is at a low level of development. They say it is the one of the three major world areas awaiting development.

The local government in Xinjiang has decided first to develop and utilize surface resources right now, and at the same time to make full preparations for developing and utilizing subterranean resources at the end of this century and the beginning of the next. Recently the government discussed strategies for developing the fuel minerals industry, and decided to make the development and processing of fuel minerals the pilot industry for economic development in the entire region. They plan by the end of the century to add 3 to 7 billion tons to proven coal reserves and to increase the value of output from the energy industry to 25 percent of the gross value of industrial and agricultural output for the autonomous region.

Xinjiang's preliminary plan is to build facilities for a strategic project to gradually open up the areas both north and south of Tian Shan. The short-term focus will be on northern Xinjiang, but at the same time we must take southern Xinjiang into account in our plans and emphases. Before 1990 we will concentrate on the line running from Urumqi to Karamay. We will exploit the advantages of this region—the already existing and relatively abundant natural resource and industrial base facilities—and focus on developing the coal fields of Urumqi, Hami, and Ewrigol. We will invest a total of 10.8 billion yuan in mine construction projects in the Ewrigol coal fields, and we can expect trial production by the end of 1987. Construction of a new strip mine in the Urumqi coal fields has been made a priority project in the autonomous region's Seventh 5-Year Plan. We are now accelerating the pace of the Hami strip mine construction project. After we complete construction and rebuilding on the Ewrigol coal fields, which produce

top-quality coking coal, annual output capacity will rise from 300,000 tons to 600,000 tons. By 1990 the annual production capacity for these three coal fields may reach 7 million tons.

Before 1990 Xinjiang's focus in the petroleum industry will be on natural resource exploration, oil field development, and suitable expansion in the volume of petroleum processed. By the end of this century, Xinjiang will be shipping 10 million to 28 million tons of petroleum and 20 billion stere of natural gas. In order to meet the needs of industrial and agricultural development, we will also construct a project at Dushanzi Oil Refinery to produce 115,000 tons of ethylene per year.

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SMALL-SCALE ENTERPRISES

Township Enterprises Face 'New Challenges'
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25 Dec 87 p 2

[Unattributed article: "Making 5 Changes to Meet New Challenges; Summary of Speech by Chen Yaobang [7115 5069 6721], Vice Minister of Agriculture, Animal Husbandry, and Fishery, at the National Conference on Township Enterprises"]

[Excerpts] In keeping with the economic development strategy of "emphasizing results, improving quality, coordinating development, and stabilizing growth," township enterprises must adapt to the changing objective situation and make timely strategic decisions. In short, we must gradually shift from primarily extensive operations to primarily intensive operations. To this end, we must do the following:

1. Pursue enterprise reform and increase enterprise vigor. In order to continue under the new situation turning township enterprises into the most vigorous entities in China's economy, reform of these enterprises must be broadened and deepened in the following areas: 1) Enterprises should be separated from government and given greater autonomy so that they can truly become independent commodity producers and operators responsible for profit and loss. 2) The management contract responsibility system should be perfected, with management authority separated from ownership, and mechanisms of competition introduced into contracts so that enterprises can really be run by competent managers. 3) The personal economic responsibility system within enterprises should be perfected, internal reforms carried out, and accounting units cut back; operators' income should be linked to enterprises profits, cadre income to the personal responsibility system, and worker income to performance. 4) The cooperative shareholding system should be expanded to develop sources of capital for township enterprises and get peasants and enterprise

employees to put their consumption funds into production and enthusiastically investigate new forms of ownership of township enterprises.

2. Diversify guidance according to local conditions and make rational adjustments in product distribution. Because of differences in the distribution of resources, the stage of development of different township enterprises, and the evolution of the collective economy, guidance of the development of township enterprises should be handled differently and different policies should be adopted. The country's township enterprises can be roughly divided into 5 groups according to resources and regional economic development. 1) Those in the suburbs of large and medium-size cities are dependent on the cities and serve urban and suburban construction, urban living standards, and large enterprises; enterprises that unify city and countryside should be positively developed in order to promote technology-intensive industry. 2) In coastal regions, the reality of scarce land and a large population requires that a labor-intensive processing industry for the outside be positively developed to expand exports and generate foreign exchange and to develop an export-oriented economy. 3) In pastoral and semi-pastoral areas, the change should be primarily towards development and processing of local natural resources and livestock products, with a gradual shift from primary processing and rough finishing to comprehensive utilization, with positive development of a processing industry that serves animal husbandry and the livelihood of minority peoples. 4) In regions producing agricultural products, a comprehensive utilization and processing industry that uses agricultural and sideline products as its raw materials should be set up to unify agriculture, industry, and commerce, and to systematize crop-growing and stock-raising. 5) In mountainous and hilly regions, the focus should be on developing mineral and biological resources, with on-site processing suited to local conditions, and the development of transport to stimulate circulation and promote economic development in these regions.

3. Improve enterprise quality through scientific and technical progress. The report of the Thirteenth Party Congress states, "Modern science and technology and modern management are determining factors in improving economic results; they are the main props for moving China's economy into a new stage of maturity." We must give priority to developing science, technology, and education, so that economic construction will be shunted onto the track of reliance on technological progress and improvement in worker quality.

4. Exploit advantages and launch joint efforts. In the last few years township enterprises have taken gratifying steps to launch cooperation and collaboration; they must sum up their experiences and break through the limitations of region, sector, and ownership system, carrying out expanded cooperation involving more types of forms, layers, and ownership in accordance with the laws of commodity production.

5. Utilize market mechanisms to stimulate enterprise circulation. Township enterprises have relied on markets since the day they were born. They depend on markets for purchasing the raw materials they need, for marketing their products, for guiding their production, and for hiring staff; markets have become the main battlefield of township enterprises. In order to find markets for products, production of different grades of products must match different markets and strata of consumption and satisfy multiple layers of public demand. Both domestic and foreign markets must be dealt with; enterprises must move enthusiastically into the great market of the world economy and launch international trade with multiple partners. While both urban and rural markets are opened up at the same time, the rural market, with its 800 million peasants, must be the main market. According to the plans set by the Thirteenth Party Congress, China will establish and foster a strong socialist market system, successively establishing markets for such key production factors as consumer goods, the means of production, money, labor, technology, and information. Those township enterprises that rely on markets will then be in their element. However, in such an open, expanded market, enterprises will have to be quick to collect and respond to market information, otherwise they may miss a favorable opportunity.

6. Combine development and improvement, speed and results. Development of township enterprises is, first, restricted by such economic levers as national energy supplies, raw materials, and credit, and it is absolutely impossible to ignore whether these objective conditions are present and blindly pursue rapid growth. Second, the capacity of both the state and the enterprises to support rapid growth is limited: speed, results, and the enterprises' reserve strength must be considered in combination in order to determine the proper course. Third, it must be determined whether the time is ripe. It must be emphasized that the speed of growth we want should be one that conforms to objective reality and that grows apace with results. In some areas there is now a tendency to emphasize development, output, and extensive activity and to slight management, quality, and intensive activity. In some areas output value is increasing quickly, but economic results are starting to fall; we should give adequate attention to this and adopt effective measures to turn this around.

7. Increase understanding and overcome the four main problems of township enterprises. Township enterprises are much discussed; the four main problems affecting the healthy development of these enterprises are: product quality, environmental protection, work safety, and rational development and use of resources. Poor product quality not only affects exports and does harm to consumer interests, it also means that China's limited resources are being wasted, and it affects enterprise results and reputations. Therefore, enterprise management should be centered on improving product quality and should strive to make that improvement within a short period of time. To this end, we must strive to

improve the quality and capabilities of employees; do away with substandard production; require creation of a quality inspection system according to uniform national criteria; establish a stringent quality assurance system; institute complete quality control activities; inspect and evaluate products of superior quality; import advanced equipment and technology.

The old problem of a low utilization rate for mining resources occurs primarily in individual mining. It can be solved as follows: 1) Through comprehensive planning, with resources divided reasonably and by law according to state-run, collective, and individual mining, with proper delineation of boundaries. 2) Scientific mining, bringing in technology and skilled personnel, reliance on operators' own accumulation, and technological upgrading. 3) Improved management, with strict procedures for examination and approval. 4) Comprehensive utilization and multiple processing of mining products, with organized, dispersed mining, centralized ore dressing, and integrated extraction and dressing.

8. Adopt measures to alleviate the three main factors restricting the growth of township enterprises. Insufficient power now prevents approximately 25 percent of the township enterprises from exploiting their production capacity. Some township enterprises are generating power with diesel oil, which adds to product cost and impacts their economic results, in addition to aggravating the shortage of diesel oil. This has become a major obstacle to enterprise development. In addition to state assistance, the way to resolve this, for those areas where conditions are right, is self-sufficiency, with the use of surplus power from industrial furnaces, comprehensive utilization of heat and power, and the development of small-scale coal and hydroelectric generators.

Shortages of capital constitute a long-term phenomenon for township enterprises; this problem must be resolved through multiple channels and in different ways. Township enterprises have annual profits of 30 or 40 billion yuan, which must be properly managed and used primarily to expand enterprise reproduction. Township enterprises with many accounts receivable and outstanding loans should tighten up collection so as to accelerate turnover of their funds. Township enterprise turnover funds must be managed and used jointly with government departments. In recent years banking departments have issued 70 or 80 billion yuan in loans annually to township enterprises; if this is properly used, it can play a tremendous role. Both peasants and staff and workers now have a good deal of cash on hand; this money should be guided away from consumption and towards production by selling shares. Lateral economic integration can also be used to attract capital. So long as we attract, manage, and use funds properly, township enterprises, with the vigorous support of the banking departments, can alleviate the problem of capital shortages.

Market competition is really competition among skilled personnel. Creating a qualified township enterprise labor force is our most formidable long-term task. We must

exert ourselves to provide education and training through multiple channels, at all levels, and in varied forms so that township enterprise management departments, in addition to fully utilizing training centers to train existing cadres and management personnel, can formulate forceful measures to encourage enterprises to provide on-the-job training for employees.

13322

Zhejiang Township Enterprises Develop Export-Oriented Economy

40060102 Hangzhou ZHEJIANG RIBAO in Chinese
4 Dec 87 p 1

[Article by reporter Zhong Shanshan [6988 ? ?]: "Zhejiang Township Enterprises Develop Export-Oriented Economy"]

[Text] Zhejiang's township enterprises have been very successful in earning foreign exchange through exports. According to the township enterprise bureau, during the first three quarters of 1987, total export sales reached 904 million yuan, an 111.6-percent increase over the same period last year. Of this figure, 495 million yuan was from direct exports, an increase of 308.5 percent over last year.

This year, township enterprises everywhere have turned to exports which earn foreign exchange, and have stressed the "width" and "depth" in their export endeavors. "Width" refers to increasing the number of factories and product varieties to speed up the entrance of township enterprise products into the world market. According to statistics, township enterprises which produce export goods in Zhejiang have increased from 625 to 1,279 units in 1 year. In essence, there are export enterprises in every county, and 29 county towns have exported goods worth over 10 million yuan. Meanwhile, long-time exporting enterprises are acting as leaders, giving impetus to newer enterprises in establishing several export bases and complexes, and are doing a good job in expanding the economies of scale of export enterprises. For example there are more than 40 export bases throughout the province, including a textile complex in Tonglu County, an aquatic products and poultry-raising and processing complex in Ningpo, factories which manufacture universal joints and spring coils in Hangzhou, and a velvet factory in Shaoxing. Export sales from each of these complexes and enterprises exceeded 5 million yuan in the first three quarters of 1987.

To promote exports, township enterprises have adopted policies which make best use of their comparative advantages. Shaoxing County supports its export enterprises by extending funds, granting tax breaks, supplying materials and electricity, and adopting other supportive measures. The county duly rewards people responsible for and contributing to the promotion of exports and the

earning of foreign exchange. As a result, many enterprises have turned their efforts to developing an export-oriented economy, and the result has been remarkable. This year the 36 exporting enterprises in Shaoxing County have doubled their export sales over last year. As the export economy grows, it also speeds up technological transformation. The quality of export goods are improved to make them more competitive in the international market. Xiaoshan County's hardware and tools factory invested over 2 million yuan this year to improve the forging, heat-treatment, and metal works, and improve its top-grade patterned metalwork for export. This technological transformation has increased per capita production by 5 percent and has so far brought in more than \$2 million, an increase of 86 percent over last year.

In covering this report on township enterprises, this reporter also learned of the problems and obstacles encountered by many plant managers. The examples they cited include a foreign trade system which cannot meet the needs of the export trade, the lack of cooperation between industry and commerce, the inadequate share of profit allocated to the factories which produce goods for export, and the failure to implement "various preferential policies" for exporting enterprises. There are isolated cases where the foreign trade departments have casually shifted the burden of risk in the international market to township enterprises. Their support of township enterprises lacks long-term commitment and some even discriminate against these enterprises. The Youth Garment Factory in Yinzhou, which received the Zhejiang garment industry's second and third prize last year for their quality men's shirts and wool coats, has repeatedly urged the foreign trade department to establish an export policy. So far, however, they have not met with success. Many plant managers have urged leaders in all relevant departments to take firm and effective measures to vigorously support the township enterprise in their efforts to develop an export-oriented economy.

12986

Liu Qun on Wenzhou's Private Enterprises

40060139 Beijing LIAOWANG [OUTLOOK WEEKLY]
in Chinese No 4, 25 Jan pp 12-14

[Article by Liu Qun [0491 5028]: "Private Economy as Seen in Wenzhou"]

[Text] Wenzhou's private enterprises have attracted nationwide attention.

Wenzhou has not just 10,000-yuan and 100,000-yuan households but also many million-yuan households, and developing private enterprises can be seen everywhere.

In the last few years, the existence and growth of Wenzhou's private enterprises have aroused debates around the country. Since the Thirteenth Party Congress, varying opinions have been expressed in private, and questions remain. Many of the people we encountered in Shanghai, Hangzhou, and along the way expressed their anxiety about the growth of Wenzhou's private enterprises, accusing them of having sprung up through smuggling and tax evasion. At this rate, the guiding role of the socialist, whole-people economy will go out of existence.

Where exactly are Wenzhou's private enterprises going? Will a new capitalist class arise? Will this change our socialist system?

Born of Necessity and Possibility

What is meant by private enterprise? Wenzhou's answer is an enterprise that employs more than 8 people, whose means of production are purchased and owned by private individuals, in which decision-making authority is concentrated in the entrepreneur, which relies primarily on hired labor, the risks of which are borne by the entrepreneur, and the profits of which revert to the enterprise owned by the entrepreneur.

There are more than 10,000 such enterprises registered with the Wenzhou Bureau of Industry and Commerce. Some of these employ hundreds of people; their fixed assets and circulating funds range from over 100,000 yuan to several million or tens of millions. They produce everything from steel to buttons.

The rapid growth of Wenzhou's private enterprises is due primarily to the objective necessity of developing a commodity economy in the early stages of socialism; it is the result of necessity and possibility.

The City of Wenzhou includes 8 counties and 2 districts and has a population of 6.3 million. In the 38 years since the founding of the People's Republic, for various reasons the state has invested a total of only 200 million yuan here. At the end of 1987, the net value of fixed assets of the city's state-run enterprises was only 170 million yuan; the industrial base is very weak. Virtually all of the commodities required by the people must be brought in from outside. In addition, transport is poor, and Wenzhou is far from the industrially developed cities, which causes conflicts in public supply and demand. Developing social productive forces and stimulating Wenzhou's economy have become a pressing need for the people of Wenzhou. They know, however, that it is not possible to rely entirely on state investment to develop those productive forces.

Wenzhou's large population is concentrated on limited land, with only four fen (1 fen = 66.666 square meters) per capita. Agriculture is able to absorb only 600,000 of the 2.6 million in the labor force. Because the people of Wenzhou have historically been unable to rely exclusively on agriculture for their livelihood, in addition to

going abroad in search of work many people have turned to handicrafts to earn their living. In recent years Wenzhou salesmen have made hundreds of thousands of trips throughout the country, expanding their horizons and obtaining information, while at the same time accumulating a certain amount of capital. Its technological potential, abundant labor, tradition of commerce, and considerable idle capital have made it possible for Wenzhou to develop its economy through reliance on its own forces.

When this necessity and possibility ran into the Party's policy in recent years of reform and opening, private enterprise was born in response and immediately took off.

Taking steel as an example, Wenzhou had had no steel industry, but demand for steel was growing steadily, and it was always difficult to get. A young man named Zhang Liecheng [1545 3525 2052] from the town of Aojiang in Wenzhou had spent several years in supply and marketing and had managed to save some money, with which he bought some equipment and used the dismantled boards of an old boat as raw material to set up a rolling mill; he produced various sizes of wire and flat steel, and his products were much sought after. The enterprise grew quickly. His initial investment was 200,000 yuan; after two or three years, by the end of last year, his fixed assets and circulating funds had grown to more than 2 million yuan, and output value is expected to reach 10 million yuan this year, with 1 million paid in taxes.

When we visited this plant, Zhang Liecheng had just returned from Beijing, where he had gone as a specially invited representative to participate in a conference called by the State Council to draft a private enterprise law. He said, "The Central Committee leaders say that a law must quickly be passed to ease the fears of the 'millionaires.' When I heard that, I felt less anxious. If I'm allowed to continue, in a few years I'll be able to turn the plant into a large enterprise with an annual output value of 100 million yuan." Touring the plant, we discovered that a new building had already been constructed and two electric furnaces installed, while an advanced control system was being debugged. Clearly, this enterprise is experiencing solid growth.

It should be stated here that the various Party committees and governments in Wenzhou have taken a lot of pressure and risks, and they have received a cold reception at the provincial level and at other venues. In our discussions with several cadres, they said that they feigned ignorance when pressured from above, and they winked at what was going on under them, eventually adopting a supportive attitude. In this way, a "microclimate" favorable to the existence and growth of private enterprise appeared long ago in Wenzhou.

The Unbreakable "Red" Thread

After many years of emphasis on size and public ownership, the appearance of "privately run" enterprises in China could not help but attract close attention. Some

people say that if all the decades of the communist revolution were intended to do away with the word "private," aren't privately run enterprises the same as capitalism?

Won't the rapid growth of private enterprises lead to capitalism? What is the difference between Wenzhou's private enterprises and privately run enterprises under capitalism?

To run an enterprise, the entrepreneur must have capital, possess the means of production, and hire workers. In all these areas, Wenzhou's private enterprises are no different from privately run enterprises under capitalism. However, as experienced in Wenzhou, a private enterprise under socialism is linked by an unbreakable "red" thread to the government and state-run enterprises.

1. These private enterprises are very dependent on the government. Wenzhou's private enterprises developed under the direction of Party policies of reform and decontrol and under the encouragement and guidance of the government. Furthermore, the government has played a restrictive role on private enterprises in such areas as approval and licensing, land requisitioning, loans, power supply and transport, and so on. This is quite contrary to the lack of government intervention in privately run enterprises under capitalism. In 1984, Chen Zewu [7115 0463 0185], director of the Chunlei Plastics Factory in Ruian, opened a shoe factory with the encouragement of the Xinhua township government, and the county helped him sell his products to department stores. After production had grown, the county also allotted him a plot of land on which to build a factory building. Last year, he wanted to make shoes for export, and the pertinent government departments again helped him to arrange for export channels. Chen Zewu was very animated as he spoke of this matter. He said, "I'm inseparable from the government; every time I move ahead, it's with the encouragement, help, and guidance of the government. My ties to the government can't be severed."

2. The economic activities of private enterprises are carried out within the great centralized market of socialism. The raw materials required by Wenzhou's private enterprises are purchased primarily from the various state-operated markets for the key factors of production. This means they cannot escape the state's macroeconomic guidance; the products produced by these private enterprises are also all exchanged in the specialized markets created through state-operated channels or market mechanisms, and this means they cannot escape the state's microeconomic regulation. In terms of the economy as a whole, they are merely a sort of supplement to the whole-people economy; they are unable to control and dominate the entire market. Therefore, in the face of this great centralized socialist market, they are merely a sort of self-regulating economic cell. For example, the nationally famous Qiaotou button market

in Yongjia County has established more than 3,000 specialized counters in state-run department stores around the country. All these specialized counters have been included within the business scope of each department store, while the people of Wenzhou merely supply them with a source of buttons. The products of the Yueqing County No. 7 Radio Plant and others are virtually all sold through national industrial ordering conventions, which intimately links the fate of these enterprises to the great socialist market.

3. Private enterprises operate within the bounds of socialist law. Wenzhou has formulated a whole series of local laws regarding industry and commerce, taxes, prices, transfer and succession of property rights, distribution, and so on. For example, for the distribution of private enterprise profits after taxes, Wenzhou has stipulated that 50 percent must be taken out and applied to expanding reproduction; the remainder reverts to the entrepreneur only after employee bonuses and welfare funds are taken out. Wenzhou also stipulates that private enterprises have rights of succession and transfer, but when this occurs 60 percent of the their fixed assets are collected by the state, while the remaining 40 percent are passed on or transferred; this gives the enterprises a dual attribute.

4. They have a close relationship with large, whole-people enterprises, which enables private enterprises to grow and subjects them to the various restraints of enterprises under the system of ownership by the whole people. Whole-people enterprises hold an absolute advantage in such areas as equipment and technology; private enterprises process primary products for the whole-people enterprises, or process some part, perform some procedure, or do the packaging for them, so that they are private enterprises producing a final product. They rely almost exclusively on whole-people enterprises for purchasing equipment, die casting, pattern design, technical inspection, marketing, etc. For example, the Wenzhou Wool Spinning Mill has good dyeing technology and rapid innovation in product patterns. Many of the city's private wool spinning enterprises are seeking this firm's help in dyeing and design. To some extent, it may be said that the Wenzhou Wool Spinning Mill has led the "new wave" in the city's wool spinning industry. Deng Fenfen [6772 5358 5358], the mill's director, says, "We are really playing the role of leader."

The Ultimate Fruit of Socialism

When we visited Wenzhou, some cadres in Party and government institutions and personnel in state-run enterprises told us of their concern that after their rapid growth private enterprises might form a stratum, that after accumulating a certain amount of political strength they might get into the government and affect the direction of socialism.

Is such concern necessary? Qiu Baoxing [0092 0202 5281], Yueqing County Party secretary, speaks very quickly: "It's not necessary, because private entrepreneurs are no longer the same as capitalists in the past. Most of them are 30 or 40 years old, and what they had was a socialist upbringing. Many of them are Party members and demobilized military men. Even if the sprouts of capitalism were to appear, our socialist laws and values would be able to control them entirely."

In Wenzhou we met a score of private entrepreneurs and never encountered any sign of the above problem. The impression we got was that the vast majority of them are professional. They pursue profit, but they are also patriotic and devoted to their hometown and pursue progress. A few of them practice fraud, but most are not profiteers; a few are covetous and wasteful, but most are farsighted and apply their funds to expanding reproduction, willing to struggle to achieve their goal of creating more wealth for their hometown and all of society.

Zhou Qingjiang [6650 7230 3984] of Pingyang County opened an electric appliances plant several years ago and made several tens of thousands of yuan; he was afraid that if he merely rested and enjoyed his wealth he would not be able to spend it all in his lifetime. What he wanted, however, was not to enrich himself, but to change the poverty and backwardness of his hometown. He took all his capital and, with several good friends, began agricultural development activities, investing more than 300,000 yuan in reclamation. With county support, he started an experimental ecological farm, living year-around in the countryside. Some people did not understand, but Zhou Qingjiang says, "Everybody was opening factories, and the hillsides were becoming overgrown and the fields were being ruined. I felt bad. Ecological agriculture is the way of the future for Chinese agriculture. My goal wasn't to make money, it was to do something useful, to make a contribution to society." After more than 2 years, we could see on his experimental farm that the hillsides were covered with fruit trees, there were pigs and cattle, and fingerlings were cavorting in the reservoir. When we entered Zhou's house, however, we saw that this "rich man" had a house that was completely bare. There was no high-quality furniture, his quilt was patched, and the floorboards in the two small rooms he inherited from his parents squeaked.

This is the private entrepreneur that some people are calling a "capitalist." Of course in Wenzhou there are far more cases than Zhou Qingjiang. It is not unusual to find the first private entrepreneurs to get wealthy investing in running schools, building roads and bridges, helping the poor and destitute, providing welfare services.

Following the Thirteenth Party Congress, private entrepreneurs vied with one another to invest. We asked the score of entrepreneurs we visited if they didn't have misgivings about investing in this way. Virtually all of them said that they were devoted mainly to the cause. What they wanted to pass on to their children was not

money; with a lot of money one can eat well and be lazy. What they pass on ought to be a creative spirit, to give something significant to the country. These industries all belong to the country; they are the fruit of reform and decontrol. Whenever the state needs them, it will be given them.

Fruit Being Eaten by Worms

Most of the private entrepreneurs are devoted to the cause, but this is not to say that there have been no problems in Wenzhou. Some of the "fruit" is now being eaten by "worms;" some ugly things have happened in Wenzhou:

Fakes, frauds, substitutions of lower quality, and tax evasion, though infrequent, do occur in Wenzhou. Ye Jiangfang [0673 3068 5364], Party secretary of Yongjia County, which has become known around the country through its advertisements, says that false advertising gives them headaches. The county has issued many strict regulations, but the situation isn't yet under control, and the problem needs further work.

Acquisitiveness and wasteful spending are no longer unusual. Theater tickets in Wenzhou can be sold for 150 yuan each, and a suit of fashionable clothing may sell for 1,000 yuan. Some private entrepreneurs have built extravagant houses; in the effort to "keep up with the Wangs," the cost of houses has soared from several tens of thousands to 50 or 60 thousand yuan. They have everything imaginable: tinted-glass Jinmen windows and aluminum-alloy stairs, air conditioning, carpeting, and all sorts of top-of-the-line electrical appliances, all more luxurious than superior hotels in large cities.

Temple restoration, buddhisattva statues, and tomb construction have become the special pet projects of some people; some have even taken concubines and set up gambling parlors. We heard of one well-known entrepreneur who took some men and women to Shanghai in several cars, where they stayed in 100-yuan-a-night hotel rooms and spent several tens of thousands of yuan in two weeks.

In their pursuit of profit, some entrepreneurs have hired children. Their work is strenuous, and safety conditions are inadequate, and there is a huge income gap between the entrepreneurs and their hired help. According to a survey of 18 private entrepreneurs in Cangnan County, the income ratio averages 22 : 1, and goes as high as 39 : 1.

Many people believe that these occurrences in Wenzhou are problems that arise during development, and the existence and growth of private enterprise should not be denied because of them. Through further reform and gradual completion of the necessary laws and policies, these problems can eventually be solved. They have

attracted the attention of all government levels in Wenzhou, and they are now adopting measures to provide positive guidance and improved management.

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FOREIGN TRADE, INVESTMENT

Zhao Ziyang on Strategy for Fujian's Export-Oriented Economy

40060134 Fuzhou FUJIAN RIBAO in Chinese
7 Jan 88 p 1

[Article by Xiao Huijia [5135 6540 1367], XINHUA reporter; Zhang Mingqing [1728 6900 3237], RENMIN RIBAO reporter; and Zhang Panshui [1728 3140 3055], FUJIAN RIBAO reporter: "Fujian Plays a Leading Role in China's Reform Experiment, and It Has the Strategic Task of Developing an Export-Oriented Economy"]

[Text] Zhao Ziyang, General Secretary of the CPC Central Committee, made a weeklong investigation and study tour of the Fujian coastal areas between 29 December last year and 3 January this year. He pointed out that Fujian and Guangdong are leaders in China's reform experiment, and they should open up even further to the outside world to attract more foreign investment. Fujian is right in the middle of the great economic development that is now taking place. The coastal areas should seize the present opportunity to speed up the reforms, open up even more to the outside world, strive to become more competitive in the international market, and develop an export-oriented economy in a well-planned, systematic, and guided way.

Make the Coastal Areas Competitive in International Markets

Comrade Zhao Ziyang arrived in Fujian together with Rui Xingwen [5360 2622 2429], member of the CPC Central Committee Secretariat, after touring the Zhujiang and Changjiang deltas. During the week, he visited the Xiamen SEZ, Zhangzhou, Quanzhou, Putian, Fuzhou, and other coastal cities, where he talked with cadres and other people, inspected enterprises, held discussion meetings on joint ventures, contractual ventures, and wholly foreign-owned enterprises, met with personalities of various circles, and called on PLA units. He feels that the coastal areas have good transportation facilities, ready access to information, extensive economic contacts, a fairly well-developed industrial foundation, and a large pool of trained people, but are relatively poor in natural resources. In the past, the coastal areas depended heavily on the interior for raw materials, and production was solely for domestic consumption. Apparently that has not worked. We used to say that ours is a big country with abundant resources and a large population. In fact, that is not true. China is not a land of plenty. On the contrary, its four modernizations drive is seriously restricted by the resources factor. Therefore, we must

seize the present opportunity to move into the international market, make full use of our labor resource, and stimulate economic growth with foreign trade. If the economy of the coastal areas can become export-oriented, development of the central and western regions of the country will be stimulated also. This is not only of great economic significance; it is also of great political significance.

An export-oriented economy is, to use a local expression, "foreign at the beginning and end and indigenous in the middle." It means to import raw materials, process and export manufactured goods, after that, import more raw materials, export more manufactured goods, and so on, in cycles of growing magnitude.

At a meeting with enterprises in the Xiamen SEZ, Comrade Zhao Ziyang pointed out that the key to developing the coastal areas into an export-oriented economy lies in moving these areas out of the existing economic system so that they can have the vigor and vitality for such development. To achieve this, the SEZs, the first coastal areas to open up, should lead the way in carrying out reforms, open still wider to the outside world, and make themselves still more attractive to foreign investors. For this reason, the SEZs should be provided with new incentives and conditions for export-oriented economic development. The major problem now is the reform of the foreign trade system. It is necessary to delegate more power to the lower levels, allow enterprises to operate without interference, and greatly simplify import and export procedures, making it possible for prompt handling of needed imports and timely delivery of export goods. However, to prevent problems from occurring as a result of opening up, enterprises must operate on the principle that they assume full responsibility for their own profits and losses. These are the prerequisites for the expansion of foreign trade and for successful competition by the labor force of the coastal areas in the international labor market.

The Development of an Export-Oriented Economy Starts With Town and Township Enterprises

Comrade Zhao Ziyang inspected joint ventures, contractual ventures, and wholly foreign-owned enterprises in Xiamen and Fuzhou, agricultural activity in Zhangzhou that earned foreign exchange, town and township enterprises in Quanzhou, and enterprises engaged in processing with materials supplied by foreign customers in Putian City. Comrade Zhao Ziyang learned that most of the town and township enterprises in Quanzhou were established with funds raised by the masses and began by processing goods with materials provided by foreign firms, and that the majority of the partially or wholly foreign-owned enterprises are small and medium-sized enterprises. He approved of the way Quanzhou emphasizes small and medium-sized enterprises in developing an export-oriented economy and uses limited resources to expand foreign trade and earn foreign exchange. The

advantages of the town and township enterprises in earning foreign exchange through exports lie in their low overhead, flexibility, and adaptability. Willing to do what customers want and able to make quick deliveries, they are suited to the production of a wide range of export goods in small batches.

Comrade Zhao Ziyang also pointed out that labor-intensive commodities tend to be produced in places where labor cost is low, and that China's rural labor force will move mainly into town and township enterprises. We should rely on cheap rural labor to produce labor-intensive goods for export and bring back the equipment we need. This is necessary, especially for the coastal areas. The coastal areas are short on land and raw materials, but are better equipped in technology and information. Under the circumstances, the coastal economy has to turn to the international market and rely on processing imported materials and compensation trade for survival and growth. In fact, this is precisely how agricultural businesses earning foreign exchange and town and township enterprises in some of Fujian's coastal areas have prospered in the past few years.

When Comrade Zhao Ziyang inspected the town and township enterprises, he made detailed inquiries about their exports, foreign exchange earnings, costs, workers' wages, bonuses, and so forth. He pointed out that abundant and cheap labor is one of our great advantages. However, we must also realize that our labor productivity is rather low, and to a very large extent offsets our advantage in cheap labor. Therefore, the town and township enterprises should combine their flexibility and adaptability with science and technology. Compared with many other developing countries, China has a very strong scientific and technological force, but it has not been effectively linked to production. In fact, coastal town and township enterprises urgently need science and technology, and scientists and technicians are very willing to work for them. At a town enterprise in Jiangkou Town, Putian City, Comrade Zhao Ziyang was delighted to see two young technicians from Shanghai and Suzhou. He had a cordial conversation with them and urged them to keep up the good work.

Management Is the Key

Comrade Zhao Ziyang stressed repeatedly during his tour of the Fujian coastal areas that we also have shortcomings in developing an export-oriented economy, and that backward management remains the biggest problem.

He said, enterprise management in the coastal areas is faced with the challenge of creating favorable conditions for large-scale imports and exports, developing an export-oriented economy, and increasing the ability to compete in the international markets. This places new demands on the quality and discipline of our labor force and managers. At present, management often fails to understand problems, behavior is seriously influenced

by personal relations, and many rules and regulations cannot be enforced. Determined efforts must be made to solve this problem, or it will cause serious troubles for the nation in the future.

When he heard Xiamen City report that wholly foreign-owned enterprises are better managed than Chinese-foreign joint ventures and that the foreign side of the management is doing a better job than the Chinese side in Chinese-foreign joint ventures, Comrade Zhao Ziyang said, we should encourage foreign businessmen to set up wholly owned enterprises in the open coastal areas. As for Chinese-foreign joint ventures, we must allow them to do business and make management decisions according to international practice. We must give them that much independence. In the past, we have failed to pay enough attention to management and put the stress only on investment and equipment. For many years, we have practiced a so-called product economy and put commodities under highly centralized control. Our management as a whole is far below that of the advanced international standard. It seems to me that the cheapest and easiest way to run a joint venture is to let the foreigners in management take full charge. Under their management, efficiency can be raised immediately. Managers should be those who can manage, not necessarily us. Many things can help make money, but management is the most important. If we only offer some policy inducements to foreign businessmen, but give no concession in management, the result is unlikely to be very impressive. But, if we put the foreigners in charge; first, the business is likely to produce good results; second, the more money the business makes, the more we become attractive to foreign investors; and third, their strict management practices can help us train a large number of business management personnel.

Seize the Opportunity, Work in Concert

Comrade Zhao Ziyang emphasized: The spirit of the 13th CPC National Congress will have a great impact on further emancipating the minds, strengthening the unity, and invigorating the spirits of the whole party, and Fujian will be no exception. We should keep this in mind in guiding and organizing study of the documents of the 13th CPC National Congress. Comrades everywhere should review the road we have taken in the past 9 years and sum up the experience we have gained to further emancipate the mind and achieve unity in thinking.

At a briefing by comrades in charge in the provincial party committee, Comrade Zhao Ziyang said: The leading body of the Fujian Provincial CPC Committee is a united body devoted to the tasks of reform and opening to the outside world. As the Chinese saying goes, "favorable climate, geographical advantages, and popular support" are the makings of success. Now, the correct policies have provided the "favorable climate," and the coastal areas the geographical advantages. The key to accelerating the development of an export-oriented economy lies in "popular support," or unity. Fujian

should seize the present opportunity, unite as one, carry out the tasks of reform and open up to the outside world. In the process, we will strengthen unity and further develop the excellent situation in the entire province.

Accompanying General Secretary Zhao Ziyang on his inspection tour were Zhao Dongwan [6392 2639 1354], minister of labor and personnel; Ruan Chongwu [7086 1504 2976], vice minister in charge of the State Science and Technology Commission; Zhang Yanning [1728 1750 1380], vice minister in charge of the State Economic Commission; Zhang Ge [1728 2047], deputy director of the State Special Economic Zones Office; and Chen Guangyi [7115 0342 3015], Wang Zhaoguo [3769 0340 0948], Jia Qinglin [6328 1987 2651], and Cai Ninglin [5591 1380 2651], leading comrades of the provincial party committee and provincial government.

12802

Need for Change in Traditional Concept of Joint Ventures Expounded

40060121 Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 12, 27 Dec 87 pp 33-36

[Article by Wang Yihe [3076 0001 7729], Shanghai Institute of Social Sciences: "Rethinking Traditional Joint Ventures"]

[Text] A. Problems Revealed in Traditional Forms of Joint Ventures

As of the end of 1986, 3,224 Sino-foreign joint ventures had been established in China, taking in a total of \$6.6 billion in actual investment from foreign entrepreneurs. This is an outstanding achievement, far beyond what other socialist countries have been able to do; it is also rarely seen in newly industrialized countries and regions. China attained this success by implementing a policy of opening to the outside and by constantly improving the investment climate. However, this is not tantamount to saying that joint ventures are perfect and problem-free. A substantive examination will readily show that there are many serious problems. 1) In the last few years, the average amount invested by foreign entrepreneurs has tended to decline, and they are slow to deliver their registered capital. For example, in one city the average amount of capital actually contributed annually by foreign entrepreneurs dropped from 30 percent to 10 percent. In some provinces, half the joint ventures ultimately did not receive their foreign capital on time. In one city's development zone, 40 percent of the foreign capital failed to reach the nearly 200 joint ventures. This situation is widespread in China. There are many causes behind this situation, such as inaccurate credit information, the lack of a system for verifying qualifications, and poorly conceived contract conditions, which allow foreign entrepreneurs to find loopholes. The provisions of China's joint venture law and the joint venture system are also factors, however. 2) In the last 8 years the proportion of industrial manufacturing projects among

the joint ventures established in China has been very low in terms both of number of projects and of capital contributed by foreign entrepreneurs. Large projects involving advanced technology have been even more rare. In contrast, joint ventures in newly industrialized countries and regions are virtually all production-oriented, with industrial manufacturing accounting for the vast majority. For example, in Hong Kong and Singapore virtually 100 percent of foreign investment goes to manufacturing; in Taiwan, it is 77.6 percent, and in South Korea it is 72.6 percent. Why is it that we are unable to attract more foreign investment in this area? Is it related to the fact that China has not given priority to manufacturing-oriented joint ventures? 3) Attracting advanced technology, especially high-grade and precision technology, is a pressing need for China's four modernizations. However, ordinary technology accounts for the great majority of projects that China has attracted to date; some projects have brought in great quantities of technology that are not urgently needed, with a good deal of duplication. Is this because we have not put attracting advanced technology and taking in capital in their proper order in our thinking? 4) Priority consideration should be given to establishing export-oriented joint ventures to generate foreign exchange. Foreign investors have started many export-oriented joint ventures in countries and regions where natural resources are scarce and labor is costly (such as Hong Kong, Taiwan, South Korea), and they have entered the marketing channels of foreign companies, whereas China, with its advantageous natural resources and labor conditions, is left far behind. Is this because our preferential-treatment measures have been inadequate, or is it because our ways of thinking and doing things do not match the interests of foreign investors?

There are also many other problems, such as the exchange balance, sales markets, management efficiency, protection of technologies, and so on. It is apparent that the traditional form of joint ventures is no longer suited to current developments in international economic cooperation, and it is necessary to rethink our concepts and approaches. This is really the key to improving China's investment climate.

B. Comparison of New and Traditional Concepts and Forms of Joint Ventures

Joint ventures arose in developing countries following World War II, giving them a history of more than 40 years. In 1979 China began to accept the traditional concept of and approach to joint ventures. In the last few years, changes in the world economy and markets have given rise to varied forms of international economic cooperation, the unification of international investment and finance, the formation of a worldwide system of multinational corporations, and so on, which have continued to modify concepts of and approaches to joint ventures. These new concepts and approaches have changed the traditional forms of operation, while China has for many years stuck to convention, still applying

traditional concepts and methods that make it difficult to adapt to the demands of the new situation or to make any progress in China's joint-venture activities.

1. The traditional concept of joint ventures emphasized the "four joints" and implementation of the "four joints" according to proportional share rights. "Four joints" refers to joint investment, joint management, joint sharing of profits, and joint responsibility for loss. Implementation of the "four joints" involves the distribution of rights, obligations, and responsibilities according to the percentage of shares held by each of the parties to the joint venture. This type of package joint venture inextricably binds together the gains, losses, and risks of the two partners. In the view of foreign investors, this traditional form of tightly organized joint venture with its rigidly defined rights and responsibilities makes it impossible to separate risk and responsibility. They must bear all sorts of risks that may arise, including such factors as losses of capital, loss of control over technology, poor management, and indefinite profits and losses. When foreign investors invest abroad, the first thing they consider is the security of their investment; they are therefore always trying to come up with a way to separate risk and responsibility. This leads to a new concept, the theory of separation of risk and responsibility. According to this concept, foreign investors must utilize various means to prevent or reduce risk. For example, by shifting their capital risk onto an international financial institution, by protecting patent rights through a licensing agreement, by signing a "management contract" to reduce operating risk to a minimum, by leasing to reduce risks in the form of capital and equipment input, and by using shared production to avoid marketing and pricing risks. Of course, these commercial forms are not brand new, but in the past they were adopted on their own, whereas in recent years they have been closely integrated with the joint venture in order to achieve separation of risk and responsibility. Generally speaking, small and medium-size foreign companies, unlike the multinational corporations, do not possess abundant capital, advanced technology, and advanced management experience all in one; naturally, they are more inclined to adopt new forms of joint ventures and make use of outside resources to compensate for their own shortcomings.

2. The close integration of international investment and finance is another characteristic of the new form of joint ventures. Using loans for fixed assets and circulating funds or bond issues, foreign companies shift their capital-investment risk onto international financial institutions; these institutions then most often require the joint venture's host country to guarantee the operation, thus shifting the risk over to the host country. Foreign companies may also lease equipment or obtain nonmonopoly technology on the international technology market, or even make their own specialized management know-how and technology a condition for investment. In this way, the new form of joint ventures is closely linked to international leasing and the technology

market, thereby enabling foreign investors to reduce or transfer the risks they bear while at the same time allowing them to meet the demands of the host-country partner in the areas of capital, technology, and management.

3. The new and traditional forms of joint ventures are also conceptually different. The traditional concept holds that whoever holds most of the shares in the joint venture is able to exercise control over the enterprise, and this control is a means of protecting one's own interests. For this reason, whenever foreign investors have formed a joint venture with investors in the host country, each side has attempted to gain a majority of the shares. In recent years this traditional view has changed somewhat. Except in special circumstances, foreign investors no longer demand control of more than 50 percent of the shares. However, this does not imply that foreign companies are not using other means to exert control over these enterprises. Other means such as signing technology transfer contracts, management contracts, leasing contracts, and loan contracts enable them to exert varying forms and degrees of control over these enterprises, while at the same time allowing them to achieve separation of risk and responsibility. The old approach of exercising control by means of shares has now been replaced by other means of control.

4. The relative positions of the three key factors in how joint ventures are treated—capital, technology, and management—are viewed differently by the country into which the projects are introduced. The general view holds that obtaining foreign capital comes first; once capital is available, the problems of technology and management can be readily solved. This view has prevailed in China over the last 8 years. China's law on joint ventures stipulates that the foreign partner's investment generally not be less than 25 percent, which reflects this view. The impact of this is that in 8 years we have attracted a good deal of capital from foreign entrepreneurs, but we have not brought in very much advanced industrial technology. In October last year, China's State Council promulgated its Provisions to Encourage Foreign Investment giving particular priority to advanced-technology and commodity-export joint ventures and thus making manifest the importance of bringing in advanced technology and correcting the course for utilizing foreign investment. This is a clear change in policy. It's not too late to close the barn door even after some of the cows have been lost. It is not enough, however, merely to provide encouragement with preferential measures; it is also necessary to establish new concepts and adopt new forms in order to modify the old approach of pursuing quantity at the expense of quality, in the expectation that by utilizing moderate amounts of foreign investment we can obtain much greater results than in the past.

The new form of investment to be adopted would, with regard to foreign investment, diffuse investment risk and exploit the role of noncapital assets (invisible assets).

Using this new form, many multinationals are able to penetrate new markets more effectively and, with their worldwide information network and marketing channels, increase the competitiveness of the joint venture's products in the international market. At the same time, the host country is also able to utilize the new form of joint venture to expand its use of foreign capital and product marketing channels. In this way, foreign entrepreneurs possessing the three key factors could certainly participate in joint ventures, but those with advanced technology alone could also participate in them. The "four joints" form could coexist in China with a more flexible approach. By widening the road, we would attract foreign investors with advanced technology and get them to participate in joint ventures, which would be more beneficial for China's four modernizations.

C. Transition from Traditional Joint Ventures to New Forms Under the Guidance of New Concepts

To make the transition from the traditional to the new forms of joint venture, China must first modify its view that the "four joints" constitute the only standard model of joint ventures. Second, the distorted view that capital is more important than technology and management must be changed, and replaced with the idea that bringing in advanced technology is most important. Third, the forms of joint ventures must be diversified and made more flexible.

The following preliminary views are offered regarding future approaches:

1. Increase the limited-liability form of Sino-foreign joint ventures. China's "proportional investment" system is modeled after the Yugoslavian approach, and these are the only two countries in the world now using it. The limited-liability company facilitates expanding channels for raising capital and allows stockholders to supervise the enterprise. This form has begun to grow this year in Shenzhen.

2. So long as they conform to national regulations, joint ventures should be allowed to issue bonds in Chinese and foreign currencies to expand sources for reproducing funds.

3. Eliminate the provision that the portion of an enterprise's registered capital contributed by foreign investors be at least 25 percent. This provision prevents foreign investors with advanced technology from participating in joint ventures because they are unwilling to invest that much cash. According to current regulations, when the registered capital is \$3 million or less, 25 percent of the investment amounts to \$650,000; when it is over \$30 million, the foreign investment is \$7.5 million. This discourages both large and small projects aimed at bringing in advanced technology.

4. Eliminate rigid provisions regarding the ratio of registered capital to total investment. In other countries, the amount of registered capital is determined by both partners according to the specific project in question; how much capital needs to be borrowed is then determined by the lending bank. The responsible government departments and units in charge of examination and approval determine whether the project is reasonable according to expert opinion. As rigid government regulations are often at odds with actual needs, it often happens that going too far is as bad as not going far enough, so that capital from foreign investors does not come into play.

5. The advanced technology of the industrial manufacturing sector should be allowed to be used to acquire shares, share in profits, and share responsibility for losses. In addition to receiving wages, senior foreign engineers possessing advanced technology could also hold some shares and participate in profit distribution.

6. In special circumstances, such as after a joint venture that brings in advanced, precision technology and is entirely commodity-export-oriented, profits could be distributed according to proportion of investment. When profits exceed a certain level, they could be distributed at a progressive rate.

7. Advanced managerial know-how and technology are key to enterprise success or failure for some projects. Therefore, industrial projects need not necessarily be managed jointly. Depending on actual needs, they could be managed by the foreign partner or a third party, with the Chinese partner serving as chairman of the board and exercising powers of supervision and control.

13322

GUOJI SHANGBAO Recommends Foreign Management for Improved Efficiency

40060147a Beijing GUOJI SHANGBAO in Chinese
28 Jan 88 p 1

[Editorial: "Allowing Foreigners To Manage Joint Ventures Is No Affront To Chinese Dignity"]

[Text] Lenin said that once a nation shifts its focus to economic construction, it must manage. What Lenin meant was that national management must be elevated to be the "key central mission." And enterprise management is an important part of management. After the founding of the PRC, we turned a mess of a semi-colonial, semi-feudal society into one in the initial stage of socialism where its 1 billion people are largely well-fed and clothed. After they stood up, the Chinese people proved that they are capable of running their country. However, owing to a variety of complex historical reasons, macroeconomic management and microeconomic enterprise management in China have basically failed to abolish the system of "eating from the big rice pot"

despite the reform effort since the 3d Plenum of the 11th CPC Central Committee. Consequently, labor costs may be relatively low in China, but so is efficiency.

One of the purposes of attracting foreign capital and setting up foreign-funded enterprises is to learn and borrow from Western enterprise management. According to a number of foreigners and Chinese who have studied the situation, Chinese equipment and technology may be backward, but even more backward is management. With China opening to the outside world over the past few years, the importation of technology and equipment has received much attention, yet software management has been overlooked. The verdict of some Chinese and foreign experts on our enterprises is that they have more advanced equipment than those in certain Southeast Asian nations and regions, but trail the latter in efficiency. Others even say that substantial gains in efficiency can be achieved simply by replacing the enterprise management, and no increase in inputs are necessary. There is an acute shortage of foreign exchange in China, with only a limited amount available for equipment purchases. If we buy a piece of equipment but fail to figure out a way to improve management and make the most of our hardware, there is only so much progress we can make. On the other hand, if an enterprise works hard to improve management even though it cannot afford some equipment for the time being, it will still be able to turn out better products and make money, which can then be used to finance technological transformation.

Judging by foreign-funded enterprises now in business, those which are managed mainly by foreign businessmen are better run on the whole. Before an enterprise can improve its efficiency, it must have operational decision-making power and the foreign businessman must be able to run his business in accordance with international norms, which is also a general prerequisite for improving the investment climate. Thus we say that we must boldly let foreign businessmen manage Sino-foreign joint ventures. Here, management by foreign businessmen means management in accordance with international practices, not management mixed with "eating from the big rice pot" or "buck-passing." The result of such mingling would be neither fish nor fowl. Of course, the foreign businessmen whom we choose to be our partners must have a good reputation and be capable. They are to manage under the general principles of equality and mutual benefit and are subject to supervision by the Chinese side. The rights and interests of both parties must be fully protected and guaranteed. When an enterprise is successfully run, both sides will benefit, especially the Chinese in the long haul.

Chinese managerial backwardness is a fact which we must squarely accept. It is no affront to our dignity to ask foreign businessmen to manage Sino-foreign joint ventures or to study their management. Lenin said, "Whenever we communists use others' hands to build up the economy, learn from the bourgeoisie, and make it go the

way we want, that is when we can manage that kind of economy." In China, foreign-funded enterprises in their myriad forms all serve socialism with Chinese characteristics. We really need not have any misgivings about asking a foreigner to manage an enterprise.

12581

Vice Mayor Urges Beijing Take Active Part in International Exchange

40060147b Beijing GUOJI SHANGBAO in Chinese
26 Jan 88 p 1

[Article by Liu Lei [0491 7191]: "Beijing's Economy Should Be Export-Oriented"]

[Text] Beijing has the necessary foundation and is well equipped for accelerated export-oriented economic growth. This was emphasized by Vice Mayor Han Baiping [7281 0130 1627] at a recent Beijing export work conference. In the spirit of State Council documents, Beijing is part of the coastal area including provinces and municipalities. It too must begin and end the trade process abroad by importing a lot of raw materials and exporting a lot of products and take an active part in the great international exchange.

Beijing has a formidable heavy industrial base and a fairly developed light industrial sector. It boasts advanced science and technology, access to information, an ample labor force, and rapidly developing township and town enterprises. Han Baiping said that we must make full use of these advantages and further liberate our thinking, cast off the yoke of old ideas, forge ahead like pioneers, and speed up the transformation of Beijing into an export-oriented economy dominated by exporting and the earning of foreign exchange. This strategy is essential to vitalizing and bringing prosperity to Beijing.

Han Baiping believed that the only way to expedite the development of an export-oriented economy in Beijing is to actively participate in the great international exchange by beginning and ending the trade process overseas, import more raw materials, and export more products. The "three forms of processing and compensation trade," including processing with purchased materials whereby imported raw materials are processed and re-exported, are a form of trade that has proven to be an effective way to take part in the great international exchange. Policies will be adopted in the future to encourage it.

Han Baiping said that foreign trade reform is inevitable under the circumstances. We must have a sense of urgency. We must work, explore, and review our experiences all at the same time, improve and forge ahead constantly to open up a new path and a new phase. He said that foreign trade reform is interwoven with opening up to the outside world. To accelerate and carry further the reform is to do an even better job in opening up to the outside world.

12581

Official on Strategies To 'Spearhead' Shandong Entry Into International Market

40060147c Beijing GUOJI SHANGBAO in Chinese
21 Jan 88 p 1

[Interview with Jiang Chunyun, deputy secretary of the Shandong Provincial CPC Committee and acting governor, by GUOJI SHANGBAO reporters Liang Tianxiang [2733 1131 5046] and Li Yinghao [2621 4481 3185]: "Four Cities To Spearhead Shandong's Entry Into the International Market"]

[Text] To implement the economic development strategy of the CPC Central Committee for the coastal areas—developing an export-oriented economy and entering the great international exchange, Shandong has been formulating plans and working out measures intensively since the beginning of the year. On 15th this month, Jiang Chunyun [1203 2504 0061], deputy secretary of the Shandong Provincial CPC Committee and acting governor, was interviewed by reporters about this matter.

Question: The CPC Central Committee has recently decided on an economic development strategy for the coastal areas. With its location in the Shandong Peninsula, what does this province propose to do to develop an export-oriented economy and join the great international economic exchange?

Answer: Based on the province's actual circumstances, we propose to take the four coastal cities—Qingdao, Yantai, Weihai, and Weifang—as the base and make use of their advantages in natural resources and manpower. We will focus on township and town enterprises, develop labor-intensive export processing industries through the processing of imported raw materials and compensation trade and enter international competition. Right now, processing with materials provided and processing with purchased materials account for 20 percent of the foreign exchange earned by the four cities. We intend to increase it to more than 50 percent in 3 years' time and use that as a springboard to build an export-oriented economy in the entire province.

Question: What advantages does Shandong have when it comes to processing imported raw materials and developing compensation trade?

Answer: Shandong is situated in an excellent geographic location, between Bohai to the north and Huanghai to the south, and facing Japan and South Korea across the sea. It boasts a 300-kilometer coastline and over 20 ports. It has an abundant labor supply. As the economy grows, there will be a massive influx of surplus rural labor into nonagricultural production, estimated to number about 5 million people in the next few years. The labor force is of good quality and is of a relatively high educational and technical standard. We have our traditional handicrafts, including embroidery, knitting, and shell carving. We also have a solid industrial and agricultural base and are self-sufficient in food. Industry is

heavily concentrated in the four cities of Qingdao, Yantai, Weihai, and Weifang. With their substantial technological forces, they should be able to support an export-oriented economy. Transportation is well developed, with airports where large jetliners and cargo planes can land and take off, as well as good rail, highway, and shipping facilities. The area abounds in natural resources and leads the nation in petroleum, coal, and gold reserves. Its aquatic industry is flourishing and it is well known as "the home of fruit." In addition, Shandong's foreign trade is well developed. At present over 20 counties each procure more than 100 million yuan worth of goods for export. The province exported \$2.97 billion worth of merchandise last year, the fourth largest in the nation, earning a net \$800 million in foreign exchange. There have been over 750 foreign-trade related technological transformation projects. When they go into operation this year and next, they will boost foreign exchange earnings by \$1.3 billion, according to preliminary projections. Shandong is a latecomer to processing imported raw materials and compensation trade and currently makes more than \$200 million from it. But provided policies are relaxed, the figure can go up to \$1 billion within 3 to 5 years.

Question: In view of the requirements of foreign trade work in the new situation, what problems do you think we should tackle first at the moment?

Answer: I believe we should begin by refashioning our thinking; instead of just knowing the domestic market, we should now gradually try to understand the international market. In the past we mainly engaged in domestic trade and knew little about foreign trade. In particular, we must now plan to comprehensively exploit the strengths of township and town enterprises and guide them in the direction of trading on the international market. In the future, all pertinent departments at all levels in Shandong should keep two sets of books, one on domestic trade and one on foreign trade. Second, qualified personnel are indispensable to any push for an export-oriented economy. Our existing foreign trade corps falls short of what is required to establish an export-oriented economy and to be part of the international economic exchange. Therefore, we propose that colleges and universities as well as scientific research and foreign trade units offer additional training courses to develop qualified personnel. We also will recruit in sister provinces and municipalities to improve the overall caliber of the foreign trade corps. Third, we will establish a coordinated service system suited to the development of an export-oriented economy. The leading bodies in some departments are currently inefficient and overstaffed, with an over-extended chain of command. We must overhaul the style of leadership and improve efficiency, with the governor setting an example. From now on, there must be one person in charge and making the decisions. There must be one organization coordinating all foreign trade agencies and giving the green light to foreign trade.

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Leaders of Six Coastal Cities on Developing Export-Oriented Economies
40060147d Beijing GUOJI SHANGBAO in Chinese
28 Jan 88 p 1

[Article by Wang Yixia [3769 0181 1115]: "Coastal Cities Pursue Export-Oriented Economic Growth"]

[Text] The economic development strategy for coastal areas put forward by Zhao Ziyang has attracted widespread attention. All coastal areas are now pondering over and exploring this issue and preparing to take the first steps. In a recent interview with reporters, the leaders of six cities—Yantai, Qingdao, Nantong, Yingkou, Wenzhou, and Lianyungang—talked freely about their plans and measures to enter the great international exchange.

Vice Mayor Liu Guodong [0491 0948 2767] of Yantai: rely on 10 mainstay export commodities and put together successful export bases.

Township and town enterprises are flourishing in Yantai. Three key industries—machinery processing, agricultural byproduct processing, and building materials—have now taken shape. In 1987, the export deliveries of township and town enterprises in the city amounted to 15.6 percent in value of all export procurements in Yantai. A host of outstanding products has emerged. Yantai has decided to focus on 10 commodities that feature prominently in the export lineup of township and town enterprises in the province and nation and build itself up as a major export base in the great international economic exchange. The 10 leading commodities are fruit, peanuts, aquatic products, liquors (wines and beers), clocks and watches, metal tools, padlocks, arts and crafts, straw products, and building materials.

Vice Mayor Dong Yaochun [5516 1031 2797] of Qingdao: develop an export-oriented economy in three stages.

Qingdao proposes to further open itself to the outside world and develop an export-oriented economy in three stages. The first is the beginning stage, to be completed by the end of the Seventh 5-Year Plan or the early part of the Eighth 5-Year Plan. During this stage, the principal tasks are to eliminate those factors which have hampered city-wide economic growth, such as water and electricity problems, and speed up foreign fund utilization and technology import so that all enterprises will undergo technological transformation to various extents and key enterprises will reach advanced international levels. The second stage is when we will go all out to build an export-oriented economy and will be completed by the year 2000 or thereabout. During this stage, we must achieve significant breakthroughs in changing the product mix, the structure of economic organizations, and the

export mix, and in raising the proportion of export commodities. The third stage will see the formation of an export-oriented economy, to be achieved 1 or 2 decades after the year 2000.

During the beginning stage, we must open ourselves to the outside world across the board. Right now, Qingdao is concentrating on the adjustment of its industrial structure, with an eye toward export.

Vice Mayor Gao Youwei [7559 2589 3634] of Lianyungang: to serve as a corridor for its neighbors and a window for places far away.

Lianyungang put forward its own development principle even earlier: "link up with the interior to lay a solid foundation, import foreign capital and technology to improve standards, and combine the external with the internal to expedite development." Over the past 3 years, the city has reached agreement with 21 central ministries, commissions and offices, 25 provinces, municipalities, and autonomous regions, and over 170 colleges and universities for a total of 650 projects, including 460 which have gone into production, some of them filling gaps in the province and nation. Today, as it joins the international exchange, Lianyungang still adheres to that principle and tries to serve as the window to the international market for the great northwest of the motherland as well as for the Huai-hai economic zone, the Huadong economic zone, and the Jiangsu-Shandong-Henan-Anhui small corridor. At present Lianyungang is exploiting its abundant resources to create the conditions for participating in the great international exchange, stressing light industry, textiles, and agriculture.

Deputy Secretary Cao Xingfu [2580 5281 4395] of the Nantong Municipal CPC Committee: push for industrial exports.

In Nantong, agriculture has been the primary foreign exchange earner. In 1987, foreign trade procurements hit 1.3 billion yuan, the best result ever. However, in contrast to the past when agricultural byproducts were the main exports, we must now work hard to expand industrial exports by building on agriculture, the aim being to develop an export-oriented economy and improve economic returns. In its push for industrial exports, Nantong plans to establish 26 bases and export-oriented enterprises of a holding-company nature to turn out a host of key exports. Of these, 14 have been completed and will be joined by the remaining 12 this year and next. Most of them make color television sets, electric appliances, radio cassettes, electronic organs, pesticides, chlorine, towels, and seersucker.

Vice Mayor Liu Xirong [0491 6932 2837] of Wenzhou: 100,000 overseas Chinese are a dependable force.

No airport, no wharf, no railroad. Under these objective conditions, how is Wenzhou going to establish an export-oriented economy? Liu Xirong said that although Wenzhou is no match for other open coastal cities as far as the

tangible investment climate is concerned, it does have 100,000 overseas Chinese who remit more than \$10 million each year. Overseas Chinese fervently hope that more products from their hometown will break into the international market. Wenzhou has now begun to create a good investment climate. The construction of the airport is being speeded up. Also being built are the 10,000-ton Yangfushan pier, Xianmen hydropower station, and Panshi power station. Liu Xirong said that in its drive to build an export-oriented economy, Wenzhou is focusing on what is important—securing funds, tapping foreign exchange sources, and turning out the necessary qualified personnel—in order to adapt itself to the great international exchange and increase its imports and exports.

Vice Mayor Wang Shouguan [3769 1343 6034] of Yingkou: use foreign capital to transform old enterprises

As the city in Liaoning experimenting in trade-industry-agriculture, Yingkou began its gradual shift to an export-oriented economy in 1983 and has built 10 coordinated export commodity bases in recent years. Each year there are more than 10 commodities with exports exceeding 10 million yuan.

However, Yingkou is an old industrial city, with 1,300 industrial enterprises. How to put foreign trade to work for the technological transformation of old enterprises is the first strategic measure it must take to speed up its transition to an export-oriented economy. The city has utilized a total of \$80 million in foreign funds and 80 enterprises have undergone some kind of technological transformation. The rudiments of a positive exchange—export and earn foreign exchange-import-re-export are now in place.

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'Five Characteristics' of Shanghai's Foreign-Invested Enterprises

40060137a Shanghai SHIJIE JINGJI DAobao in Chinese 4 Jan 88 p 11

[Article by Wu Weicheng [0702 4850 2052]: "Shanghai's Foreign-Invested Enterprises Present Five Characteristics;" first paragraph of text is source-supplied introduction]

[Text] By the end of 1987, a total of 248 enterprises had been approved for foreign investment; they had absorbed \$1,828,000,000 in foreign capital, and 11.2

of these enterprises, or four times the national average, were large-scale industrial projects involving investments of more than \$5 million. Many of these projects involved advanced technology. The success rate of foreign-invested enterprises is higher than the national average; their production and operations are universally good, they are filling in domestic technological gaps, and they are opening up export markets.

Guided by the Central Committee's policy of opening to the outside, Shanghai's foreign-invested enterprises are now on their way toward healthy growth. According to statistics, as of the end of November 1987, the City of Shanghai had approved 284 foreign-investment enterprises, including 197 Sino-foreign joint ventures taking in \$816,000 in foreign capital; 84 Sino-foreign contractual joint ventures, taking in \$8 million; and 3 wholly foreign-owned enterprises, taking in \$4 million. In all, \$1,828,000,000 in foreign capital was taken in.

The number of countries (regions) having come to Shanghai to invest in the three forms of enterprises with foreign investment has now reached 19; by total investment, the United States is in first place, with an investment of \$540 million; Hong Kong is in second place, with \$497 million; Western Europe is in third place, with \$275 million. In terms of the sectors in which foreign entrepreneurs from these countries and regions have invested, the high-technology industrial projects have basically all come from North America and Western Europe. Of the 26 advanced-technology enterprises initially approved by the City of Shanghai the year before last, 9, or 34.6 percent, involved investment by U.S. firms.

Shanghai's foreign-invested enterprises present five characteristics:

1. More large industrial projects. According to statistics as of the end of June last year, those industrial projects taking in more than \$5 million accounted for approximately 2.8 percent of all projects nationwide, while in Shanghai they accounted for 11.2 percent of all projects approved by the city. This is four times the proportion of projects over \$5 million for the country as a whole.

2. More investment by American businesses. Hong Kong accounts for 64 percent of the entire country's direct foreign investment, while the U.S. accounts for only 9.1 percent. This is a ratio of 7 to 1. In Shanghai, however, that ratio is 1 to 1. American investment in Shanghai tends to be mostly in secondary industry, bringing in the experience in modern management of large enterprises and the technology levels of the 1970's and 1980's.

3. Higher success rate of foreign-invested enterprises. Failures by foreign-invested enterprises amount to 12 percent of the more than 8,000 firms that have been approved, whereas in Shanghai only 2 of the 284 foreign-invested enterprises approved have gone out of business, giving a failure rate of 0.7 percent and a success rate that is much higher than the national average.

4. More foreign-invested enterprises run jointly by foreign-trade companies and foreign entrepreneurs. Of the 284 foreign-invested enterprises approved in Shanghai, 44, or 15.5 percent of the total, are jointly run by foreign-trade companies and foreign entrepreneurs.

5. More foreign-invested enterprises operated jointly with banking institutions. Of the existing foreign-invested enterprises in Shanghai, 30 are run jointly with banking institutions (including the Shanghai branches of the Bank of China and the Industrial and Commercial Bank, the China Investment Bank, and the Shanghai Investment Trust Co.). Enterprises such as this often involve greater investments and more advanced technology. One of the Chinese investors in the Shanghai Volkswagen Co Ltd and the Shanghai Yaohua-Pilking-ton Glass Co Ltd is the Shanghai branch of the Bank of China.

As of November last year, 136 foreign-invested enterprises had gone into production and were operating in Shanghai; this is 47.9 percent of the number that has been approved. Of these, 95 percent were doing well or fairly well. According to statistics, by the end of June last year the gross output value of the foreign-invested enterprises already in operation reached more than 1.32 billion yuan; they had paid in 200 million yuan in taxes, their net profits exceeded 188 million yuan, their exports totaled \$78 million, their foreign-exchange expenditures and revenues were balanced, and they had a surplus of \$18.92 million.

Good Production Conditions, Outstanding Economic Results

Since the opening of the Shanghai Volkswagen Corp., a joint venture with West Germany, it has not only made foreign technology Chinese but has also organized production, creating a daily production capacity of 40 Santana sedans and progressing towards the goal of 100 sedans daily. Total output in the 28 months since it went into production has reached 22,700 vehicles; in 1986 it realized profits of 21 million yuan, two years earlier than the goal set out in the feasibility study. In the 6 years since the opening of the Shanghai United Woolens Corp., a joint Shanghai-Hong Kong venture, it has developed into an all-around spinning, weaving, dyeing, and finished-garment enterprise, generating a total of \$26 million in foreign exchange and 38 million yuan in profits, and paying more than 37 million yuan in taxes to the state; the investment was recovered three years ahead of the original plans. Since 1983, it has sustained a 30 to 40 percent annual increase in the profits and foreign exchange in generates. This year this firm will reap even better economic results, estimated at 15 million yuan in profits and \$13 million in exchange generated through exports.

Introducing Advanced Technology to Fill in Domestic Technology Gaps and Promote Substitution of Higher-Grade Products

Automatic meters and instruments represent a gap in China's production; their quality has long been substandard, and we have always had to import them. The Shanghai Foxboro Corp. adopted American technology of the late 1970's for major automatic meters and instruments; the SPEC-200 electronic control system it

produces has been approved as an import substitute, so that it can be counted as foreign exchange when sold domestically. As another example, the Shanghai Shigui-bao Pharmaceutical Corp., a Sino-American joint venture, imported GMP standard designs for evenly distributing multiple vitamins and minerals in each tablet during the production process, in order to ensure the accuracy and consistency of the contents and solve a problem that has never before been able to be solved in the Chinese pharmaceutical industry.

Products Selling Well Will Expand Export Markets

The advanced technology, equipment, and management methods introduced by these joint ventures mean that the products produced are of reliable quality, perform well, and win approval from domestic and foreign users.

The Shanghai Globe Toy Corp. and the Shanghai Xingli Molded Rubber Manufacturing Corp., both Shanghai-Hong Kong joint ventures, produce zinc-alloy toys and electronic remote-controlled toys, most of which are sold on the Hong Kong, West European and American markets. The Shanghai United Woolens Corp., facing state quotas amounting to only 1.8 percent of its output, worked to come up with a plan and is positively developing nonquota areas and products. After making a real effort, this firm is now exporting on its own 300,000 wool shirts to Japan, the U.S., Switzerland, and other countries and regions.

Product Research and Development

The Shanghai Dajiang Corp. is a joint-venture agricultural production project with Thailand; while importing complete sets of equipment, this enterprises is taking full advantage of domestic technology and designing its own complete production line, from hanging, eviscerating, dipping, and defeathering to cutting, packaging, and cold storage. It has created a production capacity for slaughtering 4,000 chickens daily, reaching advanced foreign levels for meat products and saving the state \$4 million in foreign exchange. It has already become a poultry export base for this city and will become an important "window" for cooperation with the interior in agriculture and animal husbandry.

Under the guidance of the policy of opening to the outside and with the vigorous support of the relevant departments, and through meticulous effort, people believe that Shanghai's foreign-invested enterprises will certainly get better and better and prosper even more.

13322

Wuhan Successful in Emphasizing Exports
40060137b Hong Kong TA KUNG PAO in Chinese
16 Jan 88 p 17

["Wuhan Exploits Role as Central City, Last Year's Exports Exceed \$200 Million; Enjoys Province-Level Management Authority Over Foreign Trade; Attracts 118 Foreign Investment Projects as of October Last Year, Twice the Number of Three Years Ago"]

[Text] Wuhan is located in the heart of China, where the Han River converges with the Changjiang; it is a north-south railway hub with well-developed foreign trade. Wuhan is both the capital of Hubei Province and one of China's key industrial bases, where light and heavy industry are equally important, agriculture is well developed, and exports are continuing to increase.

In order to enable Wuhan to better play its role as a central city and develop according to economic laws, the central government formally approved it as an economic planning entity in September 1984, conferring on it province-level foreign-trade management authority and allowing it to engage in independent importing and exporting. The purpose of this was to promote Wuhan's economic development and make use of its geographic characteristic as a central city linked by the Changjiang with the sea, so as to join together with the open coastal cities and better exploit its role as an inland central city in foreign trade. After 3 years, experience has shown this decision to be entirely correct, since Wuhan's foreign trade has indeed achieved outstanding growth.

Wang Zuoxiang [3769 0155 4161], acting head of the Wuhan Foreign Trade Management Committee and vice chairman of the Wuhan branch of the China International Trade Promotion Commission, told this reporter that since Wuhan became a central planning entity its capacity to export and generate foreign exchange has increased. In 1985, the first year of this status, the city's exports totaled \$52 million; in 1986, this reached \$122 million, and last year's total is estimated at \$200 million. Although Wuhan's foreign trade has been separated from that of the province, the pluses of the foreign trade departments of both the province and the city, and success in implementing the central government's policy of opening to the outside and invigorating the domestic economy, have meant that the province's export targets have not been adversely affected and have even increased significantly year after year. In 1984 exports for both the province and the city amounted to more than \$400 million; in 1985, they reached more than \$500 million; in 1986, they grew to \$700 million, and last year it is estimated that they surpassed \$900 million. Their total exports had previously been in thirteenth place nationwide, but they have now reached ninth place, which shows that Wuhan's being made a central planning entity has had a positive impact on promoting foreign trade and has also promoted increased production. According to statistics, in 1985 purchases of materials amounted to 290 million yuan; this year they will reach 900 million. Increased production, economic growth, increased capacity to generate foreign exchange, and increased retention of foreign exchange have necessarily strengthened Wuhan's economic vigor and are very significant for introducing equipment and technology, upgrading old factories and enterprises, and promoting higher product quality.

Furthermore, since Wuhan became a central planning entity, its role and position as a central city have been strengthened. Wuhan relies on the interior and is linked

to the sea, with good transport facilities; back in the 1930's it was one of China's three major commercial ports. Its exports were at one time in second place nationwide. Now, its expanded trade management authority and its geographical advantage have strengthened its capacity to radiate economic growth. The city's foreign-trade enterprises has business contacts with 308 enterprises in 21 provinces, municipalities, and autonomous regions; many goods from other regions pass through Wuhan when they are exported, accounting for 30 percent of the city's exports. The old port of Hankou has been reborn and now has commercial contacts with 74 countries and regions around the world.

Considerable success has been achieved in the last 3 years in attracting foreign investment. As of October last year, 118 projects had been undertaken, and two more are currently under discussion, with agreements to be signed soon. The number of foreign-investment projects has doubled in the last three years; 31 of these projects are fully capitalized, and the largest of these include a joint venture with a West German entrepreneur for a brewery producing 100,000 tons of beer annually, a Sino-American feed production plant, etc., with a total of 20 projects involving loans from foreign governments.

13322

LABOR

Development of Labor Service Companies in Yunnan Province

40060119 Kunming YUNNAN RIBAO in Chinese
21 Dec 87 p 1

[Article by Han Shuguang [7281 2562 0341]: "Yunnan Province Labor Service Company Operations Develop Rapidly, Promote Reform and Open Up Employment Opportunities"]

[Text] Labor service company operations have developed rapidly in Yunnan Province over the past 9 years of reform. This has opened up employment opportunities, brought jobs to 750,000 unemployed urban youths, organized training for 140,000 unemployed youths, and enhanced the labor quality of the vast majority of youths and brought them into the labor force.

Nearly 1,500 labour service company offices have been set up in various localities, which have directly organized in excess of 90,000 unemployed youths into a network of more than 5,900 production, commercial, and welfare service enterprises whose operational output value in gross income has totalled nearly 2 billion yuan. This has generated more than 240 million yuan in tax revenues, contributing to the state and society.

For various historical reasons, the employment problem created a serious social problem for a time. In order to solve the gradually worsening urban youth employment problem, and as a result of the impetus provided by the

central committee's series of instructives stipulating "large and mid-sized cities nationwide must establish labor service companies," beginning in 1980 Yunnan Province founded labor service companies, one after another, in Gejiu, Zhenxiong, Xiaguan, Chuxiong, Qujing, and the Wuhua and Panlong urban districts in Kunming. After acquiring experience, such companies were rapidly introduced in cities and towns throughout the province. The state provided protection and support through funding, and taxes were appropriately reduced, so in only a little more than a year labor service companies, as organizations, began to spring up like mushrooms. Not only did local labor departments set up labor service companies, some industrial departments, enterprises, agencies, conglomerates and units did so as well, and initially formed a 7,000-worker social labor organization to administer, regulate, and handle the social labor force and organize economic activity.

In terms of developing Yunnan's collective and individual economies, the local labor service companies have played a constructive role in organizing management, educating unemployed youths, and promoting professional training. Since the Gejiu Labor Service company was set up in 1980, it has sought the backing of the leadership, and the cooperation and support of all aspects of society, focusing on employment. It has adopted methods to help enhance the quality of laborers and has created employment opportunities for unemployed youths. It has surmounted difficulties in finding jobs for young women and youth who have become unemployed a second time, and in accommodating orphans, the physically handicapped, and impoverished households, and has raised the city's employment rate to above 85 percent. The Xiaguan Motor Transport Main Terminal Labor Service Company organized the terminal's 1100-plus unemployed youths, set up a network of 17 production and management outlets, launched activities to repair and wash vehicles, process parts, and transport passenger cargo, and thus created a totally adequate work force for the terminal. After the Kunming Labor Service Company was established, based on the Kunming steel industry and in line with the principle of serving society, it organized more than 2,000 unemployed workers and set up 14 enterprises, including a wire-drawing plant, metal-recovery processing plant, foundry, and hardware factory. These enterprises undertook to produce and process for the Kunming steel industry products which were lacking, in short supply, or hard to procure. Their annual output value exceeds 11 million yuan. The new construction waterproofing material which they have successfully researched and put into batch production, polyvinyl chloride daub, has been acclaimed a provincial-level scientific and technical achievement. It was exhibited at the "All-China Labor Service Company Product Exposition" and was well received by scientists and technicians.

12513/9274

TRANSPORTATION

1987 Port Construction

40060160 Beijing ZHONGGUO JIAOTONG BAO in Chinese 6 Jan 88 p 1

[Summary] In 1987 34 berths, 10 of which are 10,000 ton class or over, were constructed in 19 of China's coastal ports from Dalian to the Leizhou Peninsula, increasing handling capacity by a total of 10.97 million tons. These figures include two 10,000-ton class deepwater berths in Shanghai, two 25,000-ton third grade timber deepwater berths in Qinhuangdao, three piers with four deepwater berths each in Lianyungang (increasing handling capacity by 1.4 million tons), and two mid-size berths with chandlery facilities in Zhanjiang.

In addition 22 small- to mid-size berths were constructed by coastal localities increasing handling capacity by 3.52 million tons. These include 8 in Fujian, 6 in Shandong, 5 in Guangdong, and 3 in Liaoning.

AGRICULTURE

Suggestions for Reforming Water Conservancy Funding

40060111b Beijing JINGJI CANKAO in Chinese 3 Nov 87 p 4

[Article by Shi Ruihe [0670 3843 0735] and Luo Yongxi [5012 3057 1598] of the Finance Department of the Ministry of Water Resources and Electric Power: "Views on Ways To Reform Water Conservancy Funding"]

[Text] Along with the steady growth of the national economy, major improvements ought to be made in China's water conservancy facilities. But the present water conservancy funding system is unable to undertake the task of raising the money needed to make improvements. This is because of the following disadvantages:

- 1) There is only one major investor. China's water conservancy has long been funded mainly by the state and the peasants (labor accumulation) alone. Because of national financial difficulties and flagging enthusiasm for funding water conservancy facilities on the part of peasants who are farming small, decentralized plots of land, capital construction investment in China's water conservancy facilities has tended to decrease. The capital construction investment in China's water conservancy facilities in the Sixth 5-Year Plan was 2.41 billion yuan less than in the Fourth 5-Year Plan and 6,423,000,000 yuan less than in the Fifth 5-Year Plan (without considering the factor of price increases). The water conservancy capital construction investment in agriculture, forestry, water conservancy, and meteorology in the Sixth 5-Year Plan was 18.7 percent less than in the Fourth 5-Year Plan and 15.7 percent less than in the Fifth 5-Year Plan. Moreover, the peasants' labor accumulation in water conservancy has also dropped greatly

and able-bodied farm workers now work an average of 10 to 20 days a year less on water conservancy than they did just after the founding of the PRC.

2) The investment structure is imbalanced. More water conservancy money is being invested in building new facilities than in upgrading old ones, and unrealistic expanded reproduction is being carried out while existing water conservancy works cannot even maintain simple reproduction. On one hand, the number of new water conservancy capital construction projects is increasing year after year while, on the other, existing facilities are poorly maintained, seriously ageing and in need of repair, poorly coordinated, and experiencing a drop in results. Forty percent of the more than 8,000 reservoirs throughout China are defective and dangerous.

With only one major investor and an imbalanced investment structure, water conservancy investment results have declined. This in turn has created poor motivation for water conservancy investment. It is estimated that China's water conservancy funds will be short of about 1.22 billion yuan a year in the Seventh 5-Year Plan.

We think that the water conservancy funding system should be made up of the following components:

1) Increase the Number and Type of Investor: At present, the state should still be the major investor, but this situation should gradually be changed. From the perspective of the ownership structure, there ought to be funding not only by state-owned enterprises, but also by collectives and individuals; in terms of sector, there ought to be funding not only by agriculture alone, but also by industry, commerce, and the communications and transportation, posts and telecommunications, and construction sectors; in terms of region, there ought to be funding not only by one's own drainage area, but also by other drainage areas, and there ought to be not only domestic, but also foreign investors. In summary, a large and diverse water conservancy investment community should be developed in line with the principle that those who profit should invest.

2) Rationally Distributed Investment Decision-Making Jurisdiction: Along with the growing number of major investors, investment decision-making power should be rationally distributed and guided by investment data. Administrative departments should not interfere with the choice of projects to be funded or decisions on the amounts to be invested in the water conservancy investment process. Instead, the major investors should make independent decisions, and a good independent mechanism should be developed to regulate investments.

3) Diversified Investment Sources: Water conservancy funding channels should at least include the following sources: water conservancy capital construction funds, water conservancy operating budgets, subsidies for water and soil conservation in rural water conservancy, water conservancy expense budgets, electric power budgets,

income from diversified economic undertakings, funds for the development of grain production, fees on the use of cultivated land, funds for aid to the poor, reservoir capital construction funds, insurance funds, bank loans, funds raised by state-owned and township enterprises, funds raised by the masses, and individual and foreign investment.

4) Diversified Forms of Investment: The new water conservancy funding system should not be limited to one form of investment. Rather, it should include fund investment, technology investment, labor accumulation, water conservancy stock purchases, and the purchase of bonds for other economic endeavors engaged in by the water conservancy industry.

5) Energetic Contractors: In order to have good investment motivation, it is necessary to have a high rate of investment profits, and only a high rate of investment profits can engender investment motivation. Moreover, in order to have a high rate of investment profits, it is necessary to have very capable and tough contractors. This means that water conservancy project contractors must do a good job in running the diverse economic undertakings, water conservancy cost reform, and lowering production costs.

12267/7310

Measures Undertaken To Improve Pork Output

40060111a Beijing LIAOWANG in Chinese
No 52, 28 Dec 87 p 5

[Article: "Growth of Pork Output Stressed in All Localities"]

[Text] On a recent inspection tour of the Weigou pig farm in Beijing's eastern suburbs and the Baigezhuang chicken farm in Shunyi County's Mapo Township, Acting Premier Li Peng pointed out that the shortage of non-staple foods such as meat and eggs can be resolved by increasing their output. This is certainly so, and measures are now being taken in all localities to ease the pork shortage.

Relevant departments have reported that all provinces, municipalities, and autonomous regions throughout China have recently drawn up plans to raise their pork output. Moreover, they have adopted corresponding policies and measures to actively fulfill them. The Ministry of Agriculture, Animal Husbandry, and Fishery has invited the people who are in charge of agriculture in Beijing, Tianjin, and Shanghai to discuss the construction of meat, poultry, and egg bases in these three major municipalities. Moreover, it has decided to borrow 1 billion yuan from banks in the 3 years from 1988 to 1990 to build a number of large, intensive pig and chicken farms with high production and management standards on the outskirts of the 3 major municipalities, and to mobilize a number of specialized households to engage

in pig-farming. It will try to enable the 3 major municipalities to provide 70 percent of their own meat, poultry, and egg consumption by 1990. From 1988 to 1990, the state will also transfer 1.55 billion kg more feed grain a year from negotiated to equalized prices and build pork production bases in more counties in Sichuan, Hunan, Jiangsu, Shandong, Anhui, Hebei, Henan, Zhejiang, Jiangxi, and Shaanxi provinces. Using this feed grain and adopting the policy of "linking pork to grain, and production directly to marketing" will enable the 3 major municipalities to increase their pork allotment by about 200,000 tons a year. In addition, Beijing Municipality has also decided to continue to support the policy of coordinating state-owned, collective, and individual enterprises and to make extensive use of modern pig-farming techniques. Plans have been made to produce 3.5 million head of commodity hogs a year throughout Beijing Municipality by 1990. Along with mobilizing its innumerable households to raise more pigs, Anhui Province plans to build 18 lean-meat commodity hog bases before 1990. The Anhui Finance Bureau will allocate a special fund of 2 million yuan a year to be used mainly for technical training, breed improvement, epidemic prevention, and demonstration and testing. Anhui has also decided to allocate 250,000 tons of proportionately-priced feed grain a year to help expand pork output in counties with commodity hog bases and specialized pig-farmers. Yunnan Province plans to use 125 million kg of feed grain to buy meat hogs in 1988. It will provide loans, feed, and technical guidance on favorable terms and allocate funds and feed in advance to specialized and key pig-farmers. Moreover, plans have been made to invite a number of experienced pig-farmers from Sichuan to direct 20 commodity hog bases in Yunnan. The government of Mouping County in Shandong Province has decided to change the "large meat-eating families" in its urban and enterprise institutions into "large pig-farming families." It has asked all units to invest a certain amount of money in using the many favorable conditions of the distillers' grains, waste residues, and leftover food and drink from its cities' breweries, bean-curd plants, hotels, and restaurants to develop pig-farming either on their own or in conjunction with peasants.

The information that has been reported from all areas shows that the pork shortage can be resolved quickly if all localities take active measures to raise their pork output.

The pork shortage has certainly not appeared suddenly in the last few months alone. The symptoms of a falling trend in pig-farming had already appeared in a few areas as long as a year ago, but they did not arouse attention or lead to conscientious study of ways to resolve it. Of course, there were many reasons for the decrease in pork output, but a major factor is that pig-farming policies have been unstable in some regions in the past few years. As the peasants say, "When there are too many pigs, butcher them; when there are too few, drive them away; but in any case, no one cares." In addition, irrational

price ratios between grain and hogs, out-of-order buying and selling prices, and relatively low pig-farming profits have dampened the enthusiasm of the peasants to raise pigs and naturally caused pork output to fluctuate considerably. These matters are certainly not difficult to resolve. The relatively well-developed pig-farming province of Sichuan has resolved them well, and a fairly steady pork output growth trend has always been maintained throughout the province. This shows that the major way to ensure the healthy growth of China's pork output is to enforce certain policies and measures favorable to the growth of pig-farming.

Long-term stability must be maintained, policies must be implemented, and buying and selling prices of hogs must be gradually rationalized so that the price ratios between grain and hogs can tend to become more rational and producers can make more profits. In addition, attention must be paid to solving issues in areas such as loan provision, feed supply, and technique popularization in order to create favorable external conditions for the growth of pig-farming.

From a long-range perspective, it will be difficult to settle the urban and rural pork supply issue by relying on small-scale production by thousands of households alone. The basic way out will be to encourage and support specialized, key, and large pig-farmers to improve their output. Moreover, modern pig farms and commodity hog bases should be gradually established and operated on a proper scale. When setting up these enterprises, it will be necessary to reform the old management system and gradually make feeding, breeding, butchering, processing, and marketing a coordinated process of multipurpose economic undertakings. This will help to coordinate things such as breed improvement, vaccination, epidemic prevention, and feed prescription and also help to popularize new techniques.

Along with the continuing improvement of China's living standards, not only more, but better pork will be needed. Thus, when improving their pork output, all areas must also improve their breeding of lean-meat hogs and their pig-farming techniques.

12267/7310

Molecular Cloning of Specific Fragments of cDNA From Male-Sterile Line of Rape
40091028 Beijing YICHUAN XUEBAO [ACTA GENETICA SINICA] in Chinese
Vol 14 No 5, Oct 87 pp 337-343

[English abstract of article by Gao Jie [7559 3381], et al., of the Institute of Genetics, Chinese Academy of Sciences, Beijing]

[Text] The cDNAs of a male-sterile line from a rape variety with a radish cytoplasm and its fertile counterpart were isolated. Having been purified through Sepharose 4B gel chromatography, the cDNAs were digested

with EcoRI, BamHI, HindIII, PstI and XhoI, and the restriction patterns were obtained. Of all the patterns, there were distinct differences between the male-sterile line and its counterpart except for the PstI pattern. The DNA of three specific fragments from the BamHI pattern of the male sterile line was recovered. After being incubated with plasmid pBR322 digested by BamHI as

well as T4-DNA ligase, respectively, three recombinants were obtained. Then the recombinants were used to transform *E. coli* HB101. Through resistant screening, clone hybridization and electrophoresis analysis, three clones carrying the specific fragments were obtained. The characteristics of these fragments are currently being investigated. (Paper received 20 Nov 86.)

Chinese Writers' Association Sets Work Agenda for 1988

40050082a Beijing WENXUE BAO in Chinese
24 Dec 87 p 1

[Text] [Editor's note: In 1988, the central work of the association is carrying out the reform of literary work and the structure of the association to promote work in other areas and bring about prosperity in the cause of socialist literature. The presidium instructed the secretariat to solicit opinions from all sides of the literary circle in regard to the nature, functions, duties, work style, and establishments of the association and work out a practical and reliable plan.]

The Sixth Meeting of the Fourth Presidium of the Chinese Writers' Association was held between 10 and 12 December in Beijing. The meeting adopted in principle the 1987 work summary and 1988 work outlines of the association. It emphatically pointed out: the central work of the association in 1988 is carrying out the reform of literary work and the structure of the association to promote work in other areas and bring about more prosperity in the cause of socialist literature.

The 3 and 1/2 day meeting was presided over by Wang Meng, Chen Huangmei, and Feng Mu.

Tang Dacheng, secretary of the party leading group of the association, briefed the presidium on the work of the association in the past year. He said: in the past year or so, although the quantity of literary works has increased steadily, their quality remain rather mediocre and we have not seen many outstanding works that can really reflect our times, change our lives, and create repercussions. Tang Dacheng said: In 1987, the association adopted vigorous measures to get writers personally involved in the practice of reform and it organized two get-togethers of writers and entrepreneurs with the participation of over 100 writers. As the study of the documents of the 13th Party Congress deepens, the broad masses of literary and arts workers will increase their awareness of involvement in reform, show more enthusiasm and concern for the progress of current social changes, and closely combine their literary and art creation with the practice of the masses to build a new life during the process of reform and opening up to the outside world.

According to the resolution of the presidium, the reform of the association will begin in 1988. The guiding principle of the reform is what Comrade Zhao Ziyang

pointed out in the report of the 13th Party Congress: "Mass organizations should also reform organizational structure, change the style of operations, actively participate in social consultation and dialogue and democratic management and supervision, put the emphasis of work on grassroots units, overcome the practice of "bureaucracy" and the tendency of red-tapism, and win the trust of the masses, especially the masses at grassroots levels." As far as concrete activities are concerned, in 1988 specific consultations and dialogues will be held between the association and party and government organs, between writers and writers, and between writers and critics; get-togethers between writers and entrepreneurs will be planned and held; and continuous efforts will be made to organize writers to get personally involved in the practice of reform to better the quality of reform literature. The presidium also instructed the secretariat to solicit opinions from all sides of the literary circle in regard to the nature, functions, duties, work style, and establishment of the association, work out a practical and reliable plan, and submit it to departments concerned for consideration.

The meeting decided that under the promotion of reform, the association should consider the improvement of the quality of literary works as the main goal of its work in 1988 while improving the publication of newspapers, magazines, and books, and strive to publish a group of works that depict major issues of current social life and have a high artistic quality.

According to the plan, foreign literary exchange activities will be further developed in 1988. The association is planning to invite 113 writers from 21 countries including Japan, Australia, the United States, France, and the Soviet Union to visit China and send some 100 Chinese writers to visit 20 countries in 1988.

The presidium decided to convene the third meeting of the fourth board of directors of the association before June of 1988.

Also attendint the meeting of the presidium were Zhang Guangnian, Xia Yan [1115 5888], Ai Qing, Huang Yuan [7806 3293], Liu Binyan [0491 6333 7159], Zhang Xianliang [1728 6343 0081], Feng Zhi [7458 5267], Wu Zuxiang [0702 4809 4889], Lu Wenfu [7120 2429 1133], Shao Yanxiang [6730 3601 4382], Yuan Ying [5913 7751], Xu Huaizhong [1776 2037 0022], Zhu Ziqi [2612 1311 1142], Ma La Qin Fu [3854 2139 3084 1133], and Bao Chang [7637 2490].

12302

CENTRAL-SOUTH REGION

Guangdong CPC Committee Rectifies Party Work Style

40050081b Beijing RENMIN RIBAO in Chinese
11 Jan 88 p 4

[Article by staff reporter Liang Zhaoming [2733 0340 2494]: "The Guangdong Provincial CPC Committee Earnestly Enforces Strict Discipline in Party Administration and Vigorously Improves Party Work Style During Reform and the Implementation of the Open-door Policy"]

[Text] A few days ago, on behalf of the provincial CPC committee, Lin Ruo [2651 5387], secretary of the Guangdong Provincial CPC Committee, affirmed achievements in rectifying party work style and strengthening party building and emphasized the need to strengthen party building in the new year when carrying out further reform and the policy of opening to the outside. He said it is especially important to "enforce strict discipline in party administration" under the new situation of reform and opening up to the outside world.

In 1987, party committees and discipline inspection commissions at all levels in Guangdong Province did a great deal of down-to-earth work and made new progress in improving party work style and discipline.

In improving party work style and discipline, the province carefully proceeded from reality, continued to correct such malpractice as abusing power to seek personal interests and made special efforts to investigate and solve cases of bureaucracy involving serious dereliction. According to recent statistics, 217 cases of bureaucratic behavior were filed throughout the province in 1987. Among them, 80 have been closed and 61 have been investigated and are ready to be closed, accounting for 65 percent of the total. The number of such cases filed in 1987 throughout the province has declined in comparison. This indicates to a certain degree that through the training of several years of reform and opening up, through the struggle of striking blows at serious economic crimes, and through the education of consolidating party and rectifying party work style, the broad masses of party members and cadres have increased political awareness and party work style is improving.

In the past year, inner-party supervision work has been carried out actively in many different ways. Some discipline inspection commissions carried out inspections of party work style and held democratic dialogues; some responsible comrades of discipline inspection commissions attended democratic life meetings held by party committees at the same level and send people to attend such meetings held by party committees at lower levels to listen to criticisms and suggestions.

All these practices have yielded fairly good results.

In the new year, the provincial party CPC committee calls for continuous efforts to enhance the fighting capacity of party organizations, strengthen our ideological and organizational building, and correct party work style.

To strengthen the party's ideological work, the most important thing at present is to stress the study of documents adopted at the 13th Party Congress and strengthen the education of the basic political lines of the party. For this, it is necessary to continue to do a good job in running party schools at all levels and establish the study and training system of party members and cadres to give every party member and cadre an opportunity every year to receive a relatively systematic party education.

Systems that have been proved effective through practice should be adhered to and continuously perfected and improved. Currently, it is necessary to consolidate party organization in connection with the implementation of reform and it is especially important to strengthen the party's organizational and ideological building and improve and strengthen party leadership through the reform of political structure. It is necessary to consolidate the party's grassroots organizations in enterprise and rural reforms, develop the functions of grassroots party branches as a fighting force, supervisor and guarantor, and enable party members to play an exemplary and leading role on their own posts.

The provincial CPC committee should put special emphasis on "enforcing strict discipline in party administration." It is necessary to strengthen the democratic supervision of party members and cadres and perfect the system of inner-party democratic life while striving to enhance the education of party members and upgrading the quality of the broad masses of party members. Efforts should be made to eliminate through inner-party criticism and self-criticism unhealthy tendencies and law and discipline violations in their embryonic stage within the party to avoid leading into serious consequences. As for those degenerates who have corrupted party work style and refused to mend their ways despite of repeated admonition, resolute policies must be adopted to eliminate them on the spot without exception and under no circumstance should they be tolerated.

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Hunan's Yiyang Prefecture Reforms Cadre System

40050081a Beijing RENMIN RIBAO in Chinese
10 Jan 88 p 4

[Text] In recent years, Yiyang Prefecture of Hunan Province has actively explored the cadre system of party and government organs by combining practice with exploration and gradually perfecting and completing the system; thereby arousing the enterprising spirit of the broad masses of cadres and increasing the vitality of the cadre contingent.

First of all, Yiyang Prefecture carried out readjustment of those cadres who had been promoted to leadership positions after the organizational reform but were incompetent at their current jobs. In the past 3 years, the leadership of 264 cadres, including 16 at county and section levels, 79 in S&T institutions, and 69 at secondary township levels, has been readjusted throughout the prefecture.

Since July 1985, the prefectural CPC committee has decided to implement a system under which newly promoted leading cadres in party and government organs are placed under probation for 1 year. During the probation period, they will have the same duties, authority, and political and living conditions as other cadres at the same level. After the probation period, if they pass the evaluation, they will be officially appointed and begin their term; if they prove to be incompetent at their current jobs, they will be sent back to their original units.

In accordance with this method of the prefectural CPC committee, counties and cities under the prefecture have extended the scope of the probation system to all cadres at the section level. Among the 146 cadres who have served the 1-year probationary period, through the quantitative appraisal of their ability and political integrity and the evaluation of their actual work performance, 114 have been officially appointed to appropriate leadership positions and 4 comrades have lost their status and returned to their original posts after being evaluated as incompetent in leadership positions.

Since October 1986, the prefectural CPC committee, after experimenting in selected units, has gradually extended the work of implementing the target management responsibility system during the term of leading cadres to 88 percent of party and government organs above the section level in the prefecture and to 2,956 leading cadres at county and section levels. Leading bodies and members under the term system will lose their jobs at the end of their terms if they are incompetent and their political and living conditions will also be readjusted accordingly.

Through the reform, Yiyang Prefecture has established the initial form of a small system for party and government cadre reform. Some new rules have been worked out for the selection, appointment, removal, promotion, and demotion of cadres. In over 3 years of practice, some useful experience has been explored through initial efforts.

Enforcing strict discipline in cadre evaluation and persisting in using actual work performance as an important basis for deciding whether to promote, demote, remove, or keep cadres. The prefectural CPC committee has meted out 10 criteria for cadre evaluation in regard to the following four aspects: political integrity, ability, diligence, and work performance. The organizational department of the prefectural CPC committee and the prefectural labor and personnel bureau have also worked out some concrete criteria and measures for evaluation. Thanks to the strict evaluation of

cadres' work performance, the prefecture has given better expression to the principle of appointing people on their merits, promoting the competent, and demoting the incompetent in the promotion and readjustment of cadres in the past 2 years.

Adopting vigorous but safe measures to try to make it easy for currently incompetent cadres to "step down" and to make proper arrangements for them. As for the ways of "stepping down," except for those cadres who had made serious mistakes and caused a lot of complaints from the masses were demoted or fired immediately through public announcement, incompetent cadres in general have been allowed or asked to resign, turned down as candidates for next term after they completed their term, or demoted after being transferred to another unit. When making arrangements for demoted cadres, every effort has been made to choose an appropriate job and work environment for them on a case-by-case basis according to their individual characteristics and circumstances. After a period of time, among the demoted cadres in the prefecture, 153 showed new improvements in their work, 11 made contributions and received awards or were selected as outstanding party members, and 19 worked hard, showed outstanding performance and were promoted again.

Paying attention to broadening the channels of discovering and selecting competent people and vigorously training and boldly promoting outstanding young cadres in practice. In the past 2 years since the establishment of the Yiyang Prefecture Human Resources Information Center and Human Resources Self-recommendation Station, 110 people of different kinds of leadership potential have been recommended to the human resources center throughout the prefecture. Through organizational screenings and studies, 9 of them have been promoted to leadership posts at county and section levels, 7 cadres have offered their services as section-level leading cadres and 18 cadres have recommended themselves for jobs in party and government organs.

Striving to increase the work efficiency of organs by combining their reform of cadre management system with the simplification of establishments, staff, and leadership posts and personnel. As of today, the prefecture has streamlined 227 organs, of which one at the county level and 20 at the section level, 148 internal establishments have been simplified, and 58 nonpermanent organizations have been disbanded; the number of employees has been reduced by 290 and the middle-level backbone leadership above the section level has been reduced by 262 people. The prefectural public security bureau has boldly carried out reform. In 1987, it mobilized 42 cadres and policemen to work at grassroots units, implemented the individual target management system among its cadres and policemen, and made marked progress in investigating and solving major cases. The number of cases solved by this bureau is the highest in the province.

Increasing Trade Conflict With U.S. Detailed
40060128 Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITOR in Chinese No 2, 11 Jan 88 p 21

[Article by Ling Li [0407 0536]: "Trade Conflict Intensifies between the U.S. and Taiwan"]

[Text] A short time ago, Taiwan sent the "Sino-American Fair Trade Inspection Delegation" and the "Delegation to Promote Equal Trade between China and the United States," which were comprised of "Legislative Yuan delegates," industrialists and businessmen, to America to seek ways in which to balance U.S.-Taiwan trade. The press called these moves a "result of the mounting trade conflict between Taiwan and the United States."

Taiwan Has Become America's Scapegoat

"When Washington speaks, Taipei jumps" was the headline run by the SHIH-PAO HSIN-WEN CHOU-K'AN [TIMES NEWS WEEKLY] for an article analyzing American-Taiwan trade relations over the past 1-2 years. And a newspaper on the island bluntly stated, "Taiwan has become the scapegoat for America's huge trade deficit."

Conflict in American-Taiwan trade relations has intensified since 1986, when the United States officially began pressuring Taiwan and forced revaluation of the New Taiwan Dollar [NT dollar]. Taiwan yielded to U.S. demands in each of the major trade negotiations held between the two sides, agreeing to open the island's tobacco and alcohol markets and to relax restrictions on American exports, and repeatedly promising to reduce import duties and to increase imports of American goods.

These moves, however, failed to satisfy the United States, which on many occasions invoked Article 301 of the U.S. Trade Law and threatened to revoke the favorable conditions enjoyed by Taiwan and to limit Taiwan exports to the United States.

To satisfy U.S. demands, Taiwan agreed, for instance, to rescind the "export quotas" imposed on American firms producing in Taiwan, to limit the island's share of steel and machine tool exports to the United States, to permit a limited opening of the island's banking, insurance and internal transport to American companies.

The island's press has noted that "Uncle Sam seems as though he's riding the backs of the ministries of finance and economic affairs, ordering them to gallop this way, then that, instructing them to change here, then there, and all the while growing increasingly stern."

Taiwan is not an independent country and is but part of China, so her international status is insecure. On top of that, her industry is export-led, and most of her exports are dependent on the American market. Thus when U.S.

pressure on Japan, the FRG, South Korea and other countries and regions fails to yield results, Taiwan becomes America's "scapegoat."

Taiwan's Entrepreneurs Have Been Severely Buffeted

Foreign trade accounts for approximately 88 percent of Taiwan's total output value, and about one-half of the island's exports are shipped to American markets. Yet these exports account for only about 5 percent of America's total imports, whereas American exports to Taiwan comprise approximately 22 percent of the island's total imports.

America's market is 10 times the size of Taiwan's, and her population exceeds 240 million, whereas Taiwan's is but some 19 million. Americans spend an average of \$84, only 0.5 percent of their per capita incomes, to buy Taiwan-made goods, yet people in Taiwan spend as much as \$278 per person on U.S. goods, four times the amount Americans pay for Taiwan products. The Taiwan press has argued that the United States should not resort to "protectionist" measures to reduce America's trade gap with Taiwan, and a number of Taiwan industrialists and businessmen have gone even further and criticized the U.S. Congress for using the punitive measures applied to Japan against Taiwan.

Because America's political and economic influence in Taiwan is very great, the island has had to tread extremely cautiously in its criticism America's trade policies and to comply with U.S. demands.

According to statistics, Taiwan sent 12 delegations to the United States to buy American agricultural and industrial products between 1978 and 1986, the total of which compensatory purchases has exceeded \$10 billion.

To avoid offending the United States, Taiwan has signed long-term agreements to purchase American grain. One hundred percent of the island's imports of soybeans, 99 percent of the imports of corn, 83 percent of the tobacco imports and 64 percent of the external apple purchases now come from the United States, and Taiwan has become the third largest market for American corn, wheat and soybeans.

In addition, Taiwan authorities have set limits on "import sourcing" for 38 products so as to encourage local traders to buy American goods and reduced duties on 1,714 imports, 39 percent of the island's tariff schedule, in January 1987, following these moves with announcements of 862 and 330 tariff cuts in April and May of the same year, respectively. Taiwan's actual tariff rate declined from 14.1 percent in 1971 to 7.7 percent in 1986 and will fall to 5 percent by 1990.

The willingness of the Taiwan authorities to sacrifice the interests of the island's entrepreneurs to win America's favor has dealt severe blows to the island's industry, commerce, agriculture and animal husbandry. This is

especially true in the case of Taiwan's medium and small enterprises, which are not well capitalized, have low labor productivity and will have an even harder time surviving now that American goods are pouring into the island.

Although unhappy about the pressure from the Reagan administration, Taiwan authorities can only grin and bear it. A short time ago, when Fredrick Chien [Qian Fu; 6929 1788], representative of Taiwan's "Coordinating Council for North American Affairs" in the United States, returned to Taipei for consultations, he reported that the Americans had told Taiwan that "the exchange rate for the NT dollar must be allowed to float at market rates," yet he added that "the United States was not applying great pressure on Taiwan to effect revaluation." Chien's response demonstrates both Taiwan's dissatisfaction with and fear of the United States.

Crisis Is Unavoidable

To show their good faith, the Taiwan authorities have desperately tried to encourage local industrialists to invest in the United States, and the island's investment in America reached \$101.4 million during the first 10 months of 1987, an increase of 128 percent over the total for the entire year in 1986. This trend, though it will continue, can by no means avert a crisis in Taiwan-U.S. trade, especially now as the United States confronts growing economic problems, mounting debt, a steady fall in her currency and a huge trade deficit.

Overly dependent on the American market, Taiwan is trying to diversify her markets. Still, her exports to the United States have remained steady at about 48 percent

of her total exports. The American recession is by no means Taiwan's fault, but it is Taiwan that bears the brunt of U.S. protectionism.

Taiwan authorities recently spent \$1.7 billion to buy 10 airliners from the United States in order to help increase American exports to the island and reduce America's trade deficit. Nevertheless, as Legislative Yuan Delegate Liu Hsing-shan [0491 5281 0810] noted, this action, which was taken purely to balance Taiwan-American trade, has made Taiwan look like a "big loser" and made the island a laughing stock. That is because Taiwan's airline industry has no need at present for 10 long-distance airliners, and there is no way the island can resolve America's \$100 billion a year trade deficit by sacrificing her own interests.

This "loser" approach clearly cannot eliminate the huge U.S. trade deficit yet has just as obviously dealt a blow to Taiwan's domestic economy. The people of Taiwan, especially local entrepreneurs, are growing increasingly dissatisfied with the island's authorities, while the United States is very unhappy with the authorities' subsidization of Taiwan's export industry. This contradiction will become especially serious in 1988, because the effects of the global stock market crisis that broke out in October 1987 will begin to become apparent 6 months after the event, during the middle quarters of 1988, and the United States will hold presidential elections in 1988 and thus will probably step up its pressure on Taiwan, which, finding that pressure intolerable, will surely fail to satisfy American demands. Thus crisis in U.S.-Taiwan trade will be hard to avoid and will place intense pressure on Taiwan's economy, just as the island's industry is undergoing transformation.

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